22 25

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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JAPAN
The power of Zen multiplies
Page 22

World News

Iran seeks improved relations with Soviet Union

Iran is seeking improved relations with the Soviet Union, signalling that Tehran may pursue a more open policy towards the outside world after the death of Ayatollah Khomeini. Page 24

S Africa renews state of emergency

President P.W. Botha last night renewed South Africa's state of emergency for a further year. He said that the Government still faced a revolutionary onslaught by forces opposed to non-violent change.

Walesa meeting

Lech Walesa, Solidarity leader, met Communist officials for the first time since national elections in which the authorities were defeated. Page 24

Strike hits ports

UK ports were hit by unofficial strikes as dockers walked out in protest at a court order banning a national docks strike. Page 12

Rebels reject talks

Ethiopian rebels rejected the Government'e offer of unconditional peace talks. Page 6

Argentine conflict

Carlos Menem, Argentine president-elect, faces serious inter-union conflict after nominating a trade union leader as Labour Minister. Page 4

Berlin protest over

A big demonstration in East Berlin to protest against an alleged fraud in last month's election was put down by security forces. Page 2

Italian raid

Italian police raided two distribution companies as part of an investigation into sales of counterfeit US construction machinery parts. Page 8

Spanish criticism

Spain's Government has been criticised for "indiscriminately" subsidising state enterprises. Page 3

US persuasion fails

US failed to persuade the PLO to reconsider its opposition to a plan for elections in the Israeli occupied territories. Page 8

Indonesian denial

President Suharto, Indonesia's 68-year-old leader, quashed growing public speculation that he may step down. Page 6

Nato arms talks

US Defence Secretary Dick Cheney said splits between Nato allies over combat aircraft cuts could delay an historic agreement to reduce the Warsaw Pact threat to Europe.

Swedish charges

Six Swedes were charged with trying to smuggle illegal eavesdropping equipment to use in a covert investigation into the murder of Olof Palme.

Syrian offer rejected

Israel has rejected a Syrian offer to exchange the body of an Israeli soldier missing in Lebanon for 21 Palestinian fighters held in Israeli jails.

Tutu at Harvard

Anglican Archbishop Desmond Tutu of South Africa was elected to the governing Board of Overseers st Harvard.

Business Summary

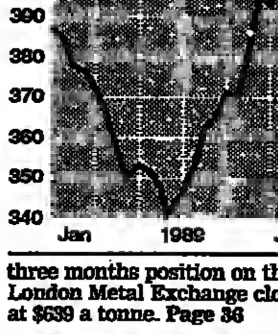
ABB brought into Soviet power deal with Ansaldo

Asea Brown Boveri (ABB), multinational engineering manufacturer, has been brought into a contract to modernise Soviet power stations, agreed between the Soviet Union and Ansaldo, the Italian state power equipment supplier. Page 24

LEAD continued to respond to bullish fundamentals. The

Lead

3 mth metal (£ per tonne)



three months position on the London Metal Exchange closed at $639 a tonne. Page 36

HANSON, UK industrial conglomerate, sold its 5.2 per cent stake in Midland Bank, UK clearer, for about $215m. Page 25

BUNDESBANK of West Germany reaffirmed that German authorities had no exchange rate targets for the D-Mark against the dollar. Page 2

BRITISH Aerospace, UK aircraft manufacturer, has won a $500m order Jetstream commuter airliners from AMR Eagle, US regional airline. Page 8.

AMERICAN Medical International, Beverly Hills hospital group, received a new offer from investment firm of about $2bn. Page 28

LOMAS Financial Corp, Texas-based financial services company, is selling its retail banking and credit card subsidiary to Merrill Lynch Capital Partners for $500m. Page 28

SHINWA Kanko Kaihatsu, Japanese property company, was declared insolvent, Japan's biggest post-war bankruptcy. Page 27

BRITAIN will seek clearance from European Commission for $1bn state aid to Short Brothers, the state-owned Belfast aircraft maker. Page 12

VEBA, West German energy and chemicals group, is taking e 22.5 per cent stake in Schenker, a transport company. Page 25

VIETNAM hopes to finalise an economic reform package with International Monetary Fund (IMF) Page 6

ALCATEL, French telecommunications group, is discussing plans to introduce Minitel teletext in the UK. Page 10

UK RETAIL sales growth rebounded last month, despite high interest rates. Page 10

CHILE'S central bank accelerated devaluation ofthe peso and raised interest rates in an effort to cool an overheating economy. Page 4

CONSOLIDATED Press Securities, Australian group owned by Kerry Packer, has won control of Australian National Industries (ANI). Page 27

CARLSBERG, the Danish brewer, increased first-half pre-tax profits by 11 per cent to $67m. Page 26

ELDERS Resources NZFP (ERN), a quoted offshoot of Australian Elders IXL, is to take a 49 per cent stake in Oakbridge, an Australian coal producer. Page 27

QANTAS and Australian Airlines, Australian flag carriers, are at the centre of a heated Government debate over privatisation. Page 6

Soviet jet fighter crashes at Paris air show

By Paul Betts in Paris

THE Soviet Union suffered a blow yesterday in its efforts to boost exports of its military aircraft when a MiG 29 combat jet crashed during a demonstration flight on the opening day of the Paris Air Show.

The MiG 29, an advanced aircraft which made its first appearance in the West at the Farnborough Air Show last September, crashed as it was flying at very low altitude. It exploded in flames in a field about 350 metres from a crowd. No spectators were burt.

The pilot, named as 37-year-old Anatoli Kvochur, managed to eject and was last night in a military hospital. Soviet officials said they did not know the extent of his injuries. Television film showed that his parachute did not open fully.

Engine failure was widely regarded to be the cause. The accident happened in the afternoon as the pilot was performing a difficult manoeuvre.

It was the second time that a Soviet aircraft has crashed at the Paris Air Show. Sixteen years ago a Tupolev T144 – nicknamed Concordski becauseof its similarity to the Anglo-French supersonic airliner – crashed during a demonstration flight.

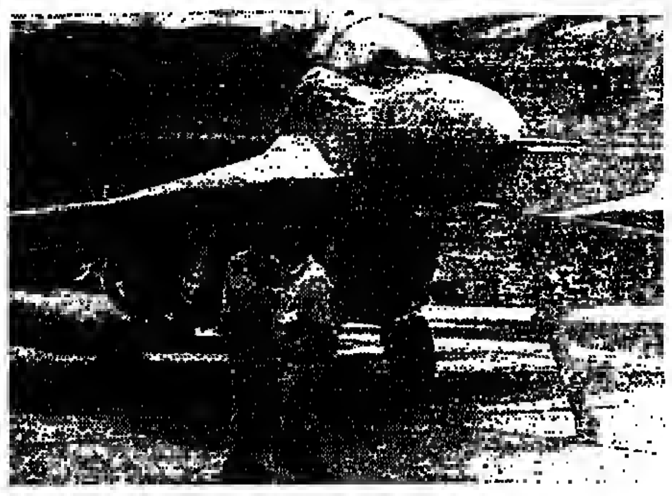
Witnesses said the aircraft took off about 3.40pm and made a steep ascent. It did some flips and turns as part of its performance with no indication of a problem. The aircraft then descended to about 700 metres in what appeared to be a landing approach. Suddenly two parts appeared to come away from the wings and the aircraft dropped to the ground. It exploded in a ball of flames and was engulfed in black smoke.

The Soviet Union came to this year's air show at Le Bourget with an impressive delegation and range of aircraft, including several military models, as well as the Soviet space shuttle, Bourane. The delegation was clearly shocked and refused to answer questions.

When the Tupolev crashed the Soviet Union immediately withdrew from the air show but many Western air industry officials expect the delegation to remain at this year's show.

The Russian presence has been billed as one of the key attractions of the show.

Paris show, Page 8



The MiG-29 fighter shortly before its crash yesterday

Triumphant Li urges Chinese to expose enemies of the Party

By Robert Thomson in Peking

CHINA'S hardline Premier Li Peng made a triumphant appearance on national television yesterday heralding the crackdown against "counter-revolutionaries" and urging all Chinese to expose opponents of the Communist Party.

Soldiers and tanks continued to withdraw yesterday from Tiananmen Square in the heart of Peking. However, troops remained on strategic corners in a still tense, bnt more active, city. A convoy of military vehicles entered the city early today with bursts of gunfire to clear the streets.

Protests against the violence – used to crush Peking's pro-democracy movement – disrupted cities thronghont the country, and warnings were broadcast threatening severe punishment for the protesters.

Buses were used to block Shanghai roads, and chaos continued in Xian, in the west, where streets were filled with demonstrators.

The appearance by Li Peng, who wore a Mao-style suit and wbose reeignation was demanded by pro-democracy protesters, was his first in public for two weeks and followed widespread rumours that he had been shot in the thigh during an assassination attempt by one of his guards.

Li, addressing a gathering of troops, said the bloody clearing of Tiananmen Square had been a "brilliant win," and raised his arm in a victorious salute.

Significantly, the premier was accompanied by the vice-president, Wang Zhen, 80, an influential member of the alliance of elderly officials which has recently taken control of the Communist Party and which will be planning the formal purge of the party chief, Zhao Ziyang, if he has not already been purged.

The relatively liberal Zhao is likely to face tough charges in the wake of the violence, for which he will be held responsible by the hardline leaders. A crackdown against activists has already begun, and diplomats fear that intellectuals, students and workers labelled as "counter-revolntionaries" will be executed.

Shops in Peking began to reopen, though many remained boarded up and few buses were running. Newspapers have not appeared since the weekend. Fears of food shortages have prompted some panic buying of grain and the Peking Government has warned of possible fuel shortages.

Reports of fighting between troops loyal to the conservatives and Zhao subsided.

Soldiers had obviously been told to be less aggressive towards residents. On one corner, troops with AK-47s at the ready emiled at passing cyclists, while military trucks carrying heavily armed troops had loudspeakers assuring the populace that "order" had been restored and that the army "protects the people."

Television reports showed soldiers, armed only with brooms, clearing debris from the streets around Tiananmen Square, and a party announcement urged residents to turn in the "gangsters" responsible for organising the protests.

Almost 30 minutes of prime viewing time was given to footage of gutted army trucks and interviews with residents praising the soldiers.

While doubting the possibility of large-scale fighting between troops, diplomats said there appeared to have been minor clashes between troops as well as some desertions.

Diplomats expect that Communist Party meetings in the next few days will confirm changes in leadership, changes that are likely to be broader than predicted before the military crackdown at the weekend. It is also expected that government ministries will be overhauled, with officials supportive of Li Peng and the elderly coalition taking most of the positions.

Regional turmoil, Deluge of propaganda, Page 6

Gorbachev faces crisis as ethnic unrest spreads

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev was last night facing the first constitutional crisis under his new democratic system as ethnic unreet appeared to be spreading in the south of the country.

Depnties from the Baltic republic of Lithuania, followed by dozens of snpporters, stormed out of the Congress of People'e Deputies, forcing the Soviet leader to suspend a vote to elect a controversial constitutional control commission.

Later Mr Gorbachev was also forced to suspend live broadcasting of the session when the man he had nominated for the office of chief state prosecutor, Mr Alexander Sukharev, was subjected to furious criticism, amid renewed allegations of top-level corruption in the ruling party.

Mr Gorbachev also faced another revolt when the Communist Party leader of Georgia broke party ranks to launch an angry attack on the top military commander, who ordered his troops to break up a nationalist demonstration, at the cost of 20 lives, in April.

The latest upheavals in the country's newly elected super-parliament came as further deaths were reported from the spreading riots in the central Asian republic of Uzbekistan.

Tass said that at least six people had been killed and 90 wounded as ethnic violence between native Uzbeks and immigrant Meskhetian Turks spread to the town of Kokand.

It added that thousands of people stormed the city police headquarters in search of firearms and another group attacked the Interior Ministry's transport depot.

Mr James Baker, US Secretary of State, yesterday challenged the Soviet Union to respond to Nato proposals last week for conventional arms cute in Enrope and to America's recent call lor cuts in Soviet hloc short-range nnclear systems down to Nato levels. Page 4

The latest deaths brings to at least 77 the toll from the violence centred on Fergana, the latest site in a rash of clashes between the Soviet Union's many ethnic groups.

Similar national tensions brought the new Congress of Deputies to the boil, as the three Baltic repnblics of Estonia, Latvia and Lithuania angrily criticised plans for the constitutional control committee – a body which still lacks any legal basis.

Deputies claimed that it would enforce the present disputed constitution to deny the individnal repnblics the greater political as well as economic autonomy they are seeking.

Their claims brought bitter counter-attacks from ethnic Russians living in the Baltic states, charging that their human rights were abused by new language laws passed in the republics.

A string of deputies also attacked the membership of the new commission.

Mr Yevgeny Yevtushenko, the Russian poet, accused Mr Vladimir Kudryatsev, the leading lawyer nominated as chairman, of being a "toady" who had failed to stand up for dissidents during tbe rule of Mr Leonid Brezhnev.

Other Soviet news, Page 2

World Bank planning launch of global bond

By Stephen Fidler in London

THE WORLD Bank hes announced plans to launch a $1.5bu bond issue which, for the first time, will be tradeable in the European, US and Japanese capital markets.

The Bank has appointed a 14-etrong management team of securities houses to bring the issue which will take place "in coming months". Deutsche Bank and Salomon Brothers will he co-lead managers of the first issue.

The World Bank is the largest regular user of the international capital markets, and its planned "global" issue will blend issuing techniques in the Eurobond and the US markets.

Borrowers have treated the US and Eurobond markets as separate entities, issuing bonds with different terms and conditions in each market. After consulting 125 institutional investors and money managers in 16 countries over the last year, however, the Bank has decided the institutions' investment needs "are no longer served by the continuing segmentation for its offerings of US dollar bonds."

A conventional explanation for such segmentation has been, the Bank says, that US nationals are discouraged from owning bearer bonds by US tax laws and Eurobond investors preferred the anonymity of bearer bonds and would not buy US-style registered bonds.

The bank, bowever, believes European institutions do not like registered securities only because they are difficult to trade. Mr Don Roth, World Bank Treasurer, said that tbe issue should allow the World Bank to reduce its borrowing costs over time.

Brady and the banks, Page 22

EC to tackle greenhouse effect

By Tim Dickson in Luxembourg

THE 12 member states of the European Community yesterday committed themselvee both to individual and collective action to combat the threat of global warming, or the greenhouse effect.

EC anvironment ministers agreed on the need to develop new energy sources as an alternative to fossil fuels, to intensify reforestation, and to press ahead with the speedy elimination of the dangerous gases known as CFCs.

The resolntion, while of more political than practical significance, marked a new stage in the growing acceptance among leading industrial countries that the scientific evidence of global warming is strong enough to have clear implications for public policy.

Scientists have warned that the earth's average temperature could rise by more than 4 degrees centigrade, sending sea levels high enough to submerge several Third World countries.

Carbon dioxide emitted through the burning of fossil fuels is believed to account for about half this accumulation, while CFCs – snbstances which have the separate ill effect of harming the ozone layer – and methane from livestock herds also contribute.

The problem of carbon dioxide emissions has been exacerbated by the burning of rainforests, which both contributes directly to greenhouse gas accumulation and destroys trees which would otherwise absorb carbon.

French, West German and Dutch ministers have all spoken of the need to take global warming into account in planning energy policy, and called for an increase in aid to Third World countries to help them avoid contribnting to the greenhouse effect.

● The ban on certain seal skin products was extended for an indefinite period. It was due to expire in October.

● Intensive efforts were being made to break the political deadlock which was holding up the long-anticipated deal on "cleaner cars."

Stora to sell match, razor units

By Robert Taylor in Stockholm and Christopher Parkes in London

STORA of Sweden, Europe's higgest pulp and paper producer, is to sell the match, lighter and razor-making subsidiaries it acquired with last year's SKr5.9bn ($891m) purchase of Swedish Match.

The company said yesterday that it had asked Morgan Stanley International, part of the US-based investment bank, to find suitable buyers for its consumer products operations, best known in European markets for Bryant & May matches, Clipper disposable lighters, and Wilkinson Sword blades and razors.

Mr Bo Berggren, Stora's chief executive, said the group had absorbed as much as 80 per cent of Swedish Match's husiness, but felt consnmer products would make a better fit with another parent.

"We can provide capital for the Swedish Match operations but we believe it is more sensible that they are acquired by a buyer already involved with related products," he said.

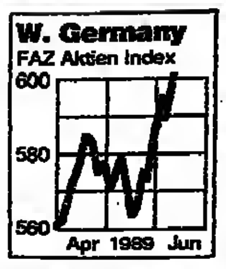
Swedish Match is the world'e leading match maker, claiming 25 per cent of sales in the non-Communist world. However, the industry has been under pressure because of the fading popularity of emoking, and competition from disposable lighters.

The lighter business has also euffered under intense price competition, while shaving equipment markets have been

Continued on Page 24

MARKETS

W. Germany
FAZ Aktien index



INTEREST RATES
US lunchtime
Federal Funds $9\frac{7}{16}$% ($9\frac{3}{8}$)
3-mth Treasury Bills: yield: 8.42% (8.40)
Long Bond: 106 ($106\frac{3}{32}$)
yield: 8.32% (8.31)
London
3-month interbank: close $13\frac{13}{16}$% ($13\frac{31}{32}$)

STERLING
New York close
$1.5790 (1.5800)
London:
$1.5730 (1.5820)
DM3.1100 (3.1025)
FFr10.5550 (10.5400)
SFr2.6950 (2.6850)
Y225.50 (same)

DOLLAR
New York close
DM1.96965 (1.9732)
FFr6.6840 (6.700)
SFr1.7080 (1.7098)
Y143.125 (142.45)
London:
DM1.9775 (1.9615)
FFr6.7100 (6.6625)
SFr1.7125 (1.6975)
Y143.35 (142.45)

GOLD
New York latest Comex August
$378.1 (380.8)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,516.91 (+4.59)
S&P Comp
326.59 (-0.36)
London:
FT-SE 100
2,143.4 (+25.5)
World:
142.38 (Wed)
Tokyo
Nikkei Ave
33,718.29 (+91.40)
Frankfurt
Commerzbank
1,785.4 (+13.6)

OIL
Brent 15-day (Argus)
$17.525 (-0.175) (July)
West Tex Crude
$19.875 (-0.10) (July)

CONTENTS

How Turkey forges powerful relationships

Turgut Ozal'a government has reached preliminary agreements for the construction of 25 hydro-projects which will bring in foreign exchange inflows of some $2.5bn. Page 8

Bundesbank confident of D-Mark strength

By Haig Simonian in Cologne

MR Karl Otto Pöhl, the President of the West German Bundesbank, yesterday reaffirmed that the German authorities had no exchange rate targets for the D-Mark against the dollar, despite the US currency's recent surge.

"The defence of a given parity for the D-Mark was, and is, not an aim in itself," he said.

Mr Pöhl also emphasised that recent events had shown thet certain dollar/D-Mark parities could not be defended by central banks against the wishes of the market – "or at least only at the expense of unacceptable sacrifices for domestic monetary policy."

However, Mr Pöhl restated Germany's anti-inflation commitment. He did not rule out new interest rate rises, arguing thet the depressed value of the D-Mark against the dollar was more a reflection of the US currency's strength than German weakness.

Speaking at the three-yearly meeting of Germany's savings organisations in Cologne, Mr Pöhl said relatively high US interest rates had helped keep down domestic and world inflation. There was reasnn to believe that US prices would remain under control and not lead to the highly damaging price spiral which had triggered restrictive US monetary policies at the end of the 1970s.

Mr Pöhl was confident that Germany's strong economic fundamentals would gradually begin to bolster the D-Mark. Hnwever, with some 18 per cent of official reserves now in D-Marks, he recognised that the D-Mark's role as a de facto reserve and intervention currency "could one day lead to more taxing problems in monetary policy, along the lines of the difficulties experienced by other countries whose currencies had acted as reserve currencies in the past".

On the prospects of closer European economic and monetary integration following the report by the Delors Committee, Mr Pöhl said: "It is no longer a question of whether, but solely one of how and when economic and monetary union will take place."

EC social charter wins backing from centre-right

By David Buchan in Brussels

CENTRE-RIGHT ministers of labour from West Germany and the three Benelux countries yesterday issued a strong joint endorsement of the European Commission's proposed workers rights charter, confirming the near-total isolation of the UK Government, which opposes the plan.

The four Christian Democrat ministers said the charter "should open the way for adoption of concrete and binding minimum norms" in labour laws of the Twelve. Rules governing Sunday work, annual leave, part-time employment, minimum work ages, and cross-frontier employment were needed, they said. The socialist Spanish Government, as the present EC president, wants the issue on the Madrid summit egenda later this mnnth.

The ministers called on the Commission to start immediate work on its social policy action programme without waiting for heads of government to adopt tbe framework charter. The Commission had said last mnnth this legislative action programme would come only some time in 1990, assuming approval nf the charter either at Madrid or at the Paris summit later this year.

The statement puts pressure on Mr Norman Fowler, the UK employment secretary, when he and other labour ministers meet in Luxembourg next Monday

It reinforces the ideological divide between British conservatives and northern continental Christian Democrats, whose parties have close ties with "Christian" trade unions and, in the case of Belginm and Luxembourg, currently share power with socialist parties.

West Germany and the Benelux countries fear their high pay and work standards may be undercut by southern competition in an unregulated, post-1992 labour market

Unice, the European employers federation, yesterday issued a highly sceptical statement on the social charter. Unice has been asked by the Commission to comment on the charter plan later this month. But before it could so, said the federation yesterday, it wanted to know what the legal status of the charter would be, whether basic social rights would continne to be guaranteed at the national level, how the charter was in keeping with modern needs for labour flexibility and how it would help create jobs.

E Berlin security forces halt election protest

By Leslie Colitt in Berlin

ONE of the largest demonstrations in years in East Berlin to protest against an alleged frand in last month's election was forcefully ended by internal security forces on Wednesday evening.

Nearly 120 young East Germans were taken into custody after staging a sitdown strike in front of East Berlin's Sophie Church. The demonstrators carried signs and a mock ballot box with the inscription Here Lies Democracy.

Security officials hauled the young people into waiting buses while Western correspondents on the scene were pushed and kicked.

About 50 human rights activists and two Protestant pastors were earlier prevented from handing over a letter to the Council of State building. It was signed "citizens who have come of age." Tens of thousands of votes against the Party's candidates were ignored in the official election results, the letter said.

The protesters were released from custody after Church intervention. Church sources said some East Germans who had begun legal proceedings against the Government for allegedly manipulating the results were suddenly allowed to emigrate to the West.

The thread that ties recent Soviet disasters

James Blitz suggests Gorbachev should turn to the West for help in the short term

THE GAS pipeline explosion which engulfed two trains in the Urals this week is the latest in a series of accidents in the Soviet Union. And there is a thread of incompetence and mismanagement running through them all.

First there was the disaster at the Chernobyl nnclear reactor in 1986, blamed on a design fault and human error; then last year, the Armenian earthquake struck, in which the high death toll was exacerbated by the poor construction of high rise blocks and the subsequent chaos of the rescue operation.

This week, Mr Gorbachev showed his exasperation. He pinned the blame for the pipeline disaster on incompetent management. "Behind many of these accidents there is negligence, irresponsibility and a lack of organisation," he said. "They keep recurring too often."

Accidents occur often in the West, of course: rail crashes and oil platform catastrophes have recently plagued Britain. Bnt the Soviet disasters are symptoms of a wider malaise: the poor quality of manufacturing and maintenance in a centralised command economy, where there is no market mechanism to ensure a rational distribution of goods.

As a result, combine harvesters fail for lack of spare parts. And builders often fail to complete construction projects: there is now Roubles 5bn (£4.9bn) worth of never-to-be-completed housing.

Another problem with the economic command structure is that all orders originate in Moscow. So personal initiative is inimical to the worker at the bottom nf the pyramid. A much-reported feature of the earthquake rescue was that soldiers stood around piles of rubble doing little to help those trapped underneath: they were waiting for orders.

Indeed, nothing illustrates the endemic lack of initiative better than the sight of the Soviet leader rushing to a disaster. Apart from comforting the bereaved, his presence is one of few ways that rescuers can be galvanised into action.

His economic and political reforms are aimed at curing some of these problems. He wants to increase personal initiative at every level, and upgrade technology and above all ensure that it is better applied.

Until recently, the Soviet authorities – despite the gross inefficiency of most industrial production – could point to a few areas (notably defence and space) of unmatched achievement, made possible by a massive concentration of human and material resources.

But even this is under threat: yesterday's crash of a MiG-29 at the Paris Air Show will again raise questions about Moscow's ability to keep up with the accelerating pace of Western technology.

It could take a decade to make Soviet industrial production more efficient; and making it safer and cleaner is too urgent a problem to wait that long.

Mr Gorbachev should acknowledge that improved standards of safety and maintenance are an immediate priority for industry, and that this needs Western help.

If straight imports of high-technology goods is too expensive, the Soviet leader might be better advised to allocate hard currency towards importing Western expertise to advise on industrial design and maintenance.

Western businessmen often complain that Moscow purchases industrial equipment without hiring Western experts to put it into operation.

Expensive foreign equipment is often left lying around because Soviet workers are uncertain how to use it. Experts should be on hand to instruct them.

The news that Asea Brown Boveri has an agreement to npgrade power generation could be a welcome first sign that the Soviet authorities are prepared to purchase expertise in service and maintenance.

But more is needed. Time is running out for the Soviet leader on this issue; public concern about safety is growing, fuelled by the new trend of publicising disasters.

Concern about safety in nuclear reactors has already led to half-a-dozen nuclear plant programmes being halted in the last year, and there has been a fierce debate in the press about the standards of rail travel.

Mr Gorbachev should

seek Western help in the short term rather than simply waiting for the gradual reform of Soviet management to take effect over many years.

Italy to help market Soviet discoveries

By John Wyles in Rome

AN apparently unprecedented attempt by the Soviet Union to market in the West its scientific discoveries in areas such as new materials, pharmacology, medicine and electronics will be launched in Genoa on Monday by a team of around 60 Russian scientists.

The two-day scientific fair and seminar follows an approach by the Soviet Committee for Science and Technology which at first astounded, and then excited, the top management at Iri, Italy's giant state industrial holding company.

"They know that they have some good scientific discoveries, but they do not know how to develop and market them. Since they also lack tbe hard currency for all of the imports they want to buy, this could be the beginning of a counter-trade in technology," said a senior Iri manager yesterday.

The Soviet approach came after the signature last October of a new Italian-Soviet technical co-operation agreement and took the form of an invitation to visit Moscow to the most scientifically qualified delegation that Iri could put together.

When the four-man Italian team arrived in the Soviet capital in January, they were confronted by the directors of 120 top Soviet laboratories anxious to describe technologies which might be of interest to Italy and the West.

After a careful sifting, the Iri team selected a number of proposals which they believed were "at a world level" of innovation, although many are incomplete from the point of view of early industrial development.

Moscow came up with the idea of mounting a fair and, as a measure of its commitment, is sending more than 60 scientists of whom only 25 will have their costs covered by Iri.

The actual presentations to be made in the seminar meetings on Monday and Tuesday cover a wide range of techniques, such as curved steel tobe manufacturing, cinematically controlled machine tools, and the use of permanent magnets in biotechnology.

New Parliament told country heading for 'economic collapse'

By Quentin Peel in Moscow

A DEVASTATING critique of the economic and environmental crisis facing the Soviet Union was presented to a stunned Congress of People's Deputies yesterday, as the new super-parliament neared the end of its first session.

Three leading radical deputies finally reached the microphone yesterday to attack not just the inheritance from the past, but misguided economic policies of the current administration.

Mr Nikolai Shmelev, the most outspoken radical critic of Soviet economic reform, said the country faced "economic collapse" if it failed to stop inflation and bridge the gap between consumer shortages and excess money supply.

He attacked Mr Nikolai Ryzhkov, the Prime Minister, for underestimating the crisis and failing to propose solutions. "Over the next two to three years, if we do not stop inflation, the decay of the consumer market and the monstrous budget deficit, then we face economic collapse."

He rejected Mr Ryzhkov's argument that the country had borrowed too much – the Prime Minister said the debt-service ratio now topped 25 per cent of export earnings – and called for an international loan to buy $15bn worth of consumer goods.

Purchases of grain on the international market should be stopped, and the foreign currency saved paid to Soviet farmers to produce more grain.

Mr Shmelev argues that imported consumer goods can be sold at such a big mark-up in ronbles that the Government can rapidly solve its chronic budget deficit: he put it at Roubles120bn (£118bn), or 24 per cent of the total budget.

His onslaught was matched by another on the party and government bureancracy by Prof Alexei Yemelyanov, who claimed that the ruling elite still dominated every facet of life. The only area where "new thinking" had been consistently applied was foreign policy.

Genuine independence and incentives for state enterprises, as well as co-operatives, would not be possible withnut dismantling the top bureaucracy.

Prof Alexei Yahnlokov warned that the growing environmental crisis could lead to mass protests. "Either the Party turns green quickly, or ecological dissatisfaction will become politicised outside the framework of the party."

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EUROPEAN NEWS

Italians inspire the Euro-hustings with thoughts of a renaissance

The results of the European poll will affect the domestic balance of power in the next government and could even lead to early national elections, writes John Wyles in Rome

TO A British eye, the European election campaign in Italy is sure to look like an exercise organised by Eurofanatics for a nation of Euroloonies.

It may even be judged a little extreme by those on the continental mainland entertaining real ambitions for the Community's political development.

In no other EC country of comparable size, for example, is there such a uniform view among political parties that the EC's objective must be a federally united Europe.

No other country has passed a law enabling a clutch of non-Italian EC citizens, from Scotland's David Steel to West Germany's Daniel Cohn Bendit, to stand on domestic party lists.

Certainly, no other electorate will also be voting in a referendum on June 18 which wants to know whether "you believe that the European Community must be transformed into an effective Union, equipped with a government responsible to Parliament."

The referendum proposal required the passage of a special constitutional law which breezed through the Italian parliament without encountering any of the obstacles which usually makes the legislative process as easy as running through quicksand.

It will almost certainly be adopted by large majority on an election turnout which is traditionally prodigious compared to the rest of the EC – 84 to 85 per cent in the last two European elections.

This appetite for "more Europe" owes much to the benefits, both economic and political, which Italians believe they are deriving from the Community, and also something to their dissatisfaction with the Italian State.

Unlike in France and Britain where attitudes to European integration are qualified by centuries-old experiences of sovereignty, and unlike West Germany where the state at least commands loyalty as an efficient provider of services, Italian nationalism is more cultural than statist and sees much to be gained by transferring sovereignty into, perhaps, safer supranational hands.

This prospect causes no qualms about loss of national identity in Italy, because the culture is so strong that no Italian could conceive of its being swamped by any Eurohybrid.

It should be no surprise, therefore, that the Italians are developing a sense of mission about Europe.

Mr Bruno Visentini, the former Finance Minister and Republican Party elder, ruminated on Italy past and present at a Euro-election rally last weekend, saying: "Italy was great when it occupied a central role in Europe, it was the renaissance of the country...to be in Europe means accepting difficult commitments, giving and taking from Europe. An economic union is not enough for this."

A mark of the new Italian seriousness of purpose is the determined attempt under way to correct the country's embarrassing and appalling record in applying EC directives.

An omnibus bill has been passed to carry 100 directives into law, and 100 more are likely to be on the statutes by the year end.

Campaign speeches, moreover, centre on the need to solve domestic problems so Italy can rise to the challenge of the single market, while stressing the dangers of failure.

Mr Visentini spoke of the need "to bring order to the country if we want to create Europe" by raising the poor quality of public services. Other politicians stomp the South warning that "an economy without frontiers risks pushing us down into a new colonialism."

It is a Community-wide truism that this and previous campaigns are more about domestic politics than "truly" European issues; inevitably so, since no national election can pass without affecting the domestic balance of power.

The difference in Italy is that the governing five-party coalition has managed, not entirely without calculation, to legitimise the domestic focus by collapsing the country's 48th post-war governmant, led by the Christian Democrat, Mr Ciriaco De Mita, a mouth before the elections.

The results will therefore directly affect the balance of power in the next government and could even lead to early national elections.

This would be most likely if there the Communist (PCI) vote slnmped severely – though not from the 1984 level of 33.3 per cent, which was inflated by the death during the campaign of the party's respected leader, Mr Enrico Berlinguer. The PCI knows it has no hope of holding this.

The question, particularly with the crisis in China highlighting that faced by world communism, is whether the party can approach the 26.6 per cent it polled in 1987.

The Christian Democrats, Italy's largest party, and the Socialists stand to gain most from a further haemorrhage of PCI support. The smaller parties are increasingly alarmed about the potential squeeze from these two and so, in defence, the Republicans and the Liberals, together with a smattering of Radicals have banded together for Euro election purposes as the *polo laico* (lay alliance).

Its leaders hope for a combined 10 per cent share of the June 18 vote. However, the 1984 election nags them as a worrying precedent: then the Republican-Liberal alliance polled 6.1 per cent, well below their individual strength in national elections.

Moreover, it is harder for them to attract attention when foreign news from China, Poland, Iran and the Soviet Union dominates the headlines.

The attention problem is more serious for Italy's divided "Green" movement. Divisions over personalities, means and objectives has produced two Green lists which will do well to poll a combined 5 per cent.

Success in the election is virtually guaranteed for such notables as Mr Bettino Craxi, the Socialist leader, who heads his party's list in the north-west, centre and south of the country, Mr Giulio Andreotti, the Christian Democrat Forsign Minister, Mr Arnaldo Forlani, the DC party secretary, and Mr Occhetto, the PCI secretary who is standing in three of the nation's five giant constituencies.

The question is whether any of them will actually attend Strasbourg parliamentary sessions if elected, or whether they will stand down in favour of lesser names on their party lists.

Italians may be more impressed by their political class's commitment to Europe

EUROPEAN ELECTIONS

Coca-Cola style commercial puts fizz into SPD campaign

By David Goodhart in Bonn

WEST GERMANY'S opposition Social Democrats (SPD) are selling themselves like Coca-Cola.

The party's main European election broadcast consists of a few modishly dressed, pretty young people swaying together on a hill top singing "We are Europe."

SPD strategists maintain that the empty-headed image is helping to establish them as the party of Europe, instead of the ruling Christian Democrats.

The happy hill top could not be found in Gelsenkircheo, however, on a rainy Saturday afternoon.

This declining mining town in the Ruhr is the SPD's backyard, and it was where Mr Gerd Walter, the SPD's European leader, came to eat sausages and talk about the "social dimension."

He did both with some style. The 40-year-old chairman of the SPD in the northern state of Schleswig-Holstein has been a Euro-MP for 10 years and now heads the 33-strong SPD group (out of a German total of 81) in the European Parliament.

He looks like one of the new breed of suave progressives now rising to power in the SPD, but the training shoes worn with his expensive-looking suit indicate that he has not forgotten his radical roots.

Through the drizzle be talked clearly and briefly to a few dozen loyalists about the need to strengthen environmental protection and social standards in Europe and to stop the rise of the far-right.

The issues were the usual domestic ones with a European gloss. Even the looming EC argument about coal subsidies - which could have important consequences for local employment - was an excuse to attack the Bonn Government, not the Brussels Commission.

The cool Mr Walter only became emotional over the possible reunification of Europe. "Prague, Warsaw, Budapest are all as much part of Europe as Paris, London and Bonn. We now have a historic chance to rebuild one Europe with our own hands, free of the superpowers," he said.

While such talk may cause great excitement in Washington, hardly an eyelid was batted in Gelsenkirchen.

Privately Mr Walter admitted that there was little disagreement over European fundameotals between the main parties in Germany – compared to Britain.

Reflecting historic constituencies, the SPD is more interventionist and nationalist than the CDU oo energy policy, but more liberal and anti-subsidy on support for farmers.

He said 1992 has raised people's cousciousness about Europe and made the campaign more interesting than five years ago. So interesting in fact that Mr Walter has even persuaded the two former SPD Chancellors - Mr Willy Brandt and Mr Helmut Schmidt - to pose together for an election poster.

This was quite an achievement – there is bad blood between the two and Mr Schmidt has not pnblicly endorsed the SPD since 1982.

Although Germany as a whole may be losing enthusiasm for the EC, the idea of Europe - fused with idealistic socialist internationalism - still casts its spell in the Gelsenkirchen SPD.

Saturday's SPD "Family Day" boasted stalls from every EC country, Chinese and Greek dancers, and an eccentric local Euro-MP, whose hobby is cycling around Europe with a symbolic piece of border post.

Later, at a 3,000-strong SPD rally in Cologne, Mr Walter spoke again of a re-united Europe and compared the Czech dissidents with the Spanish Republicans of the 1930s.

Constituency Profile:
Highlands and Islands

EC flag flies high in the far north

By Tom Lynch

THE FERRY docking at the remote Hebridean port of Tarbert sports the lion rampant and the Scottish saltire – but it also carries a golden E on a blue background to show that European Community funds paid half its building costs.

Passengers drive up the pier's EC-funded hydraulic ramp, along roads the EC helped build, past sheep covered by the EC farm regime grazing on crofters' land improved with EC grants. Off the coast float fish farm cages, also courtesy of the EC, while trawlers fish for EC quotas.

The EC has a higher profile in its remotest corner than anywhere else in Britain, but there is no sign of election fever. Mr Norman MacAskill, the Labour candidate, attracts six party members to his public meeting; no-one at all comes to hear Mr Neil Mitchison, the Social and Liberal Democrat.

The evenings are fine, few people know there is an election on, and it is the height of the peat-cutting season. In any case, the islanders know that bureaucrats and the Council of Ministers set tbe grants regime, not the Parliament.

The Highlands and Islands constituency is the EC's largest: including the water between the islands it is the size of Denmark.

It takes in Orkney, Shetland and the Western Isles (as different from each other as from the mainland), Inverness and the towns of the eastern Highlands with their oil-related and other industry, the far north with its controversy over forestry and the environment and fears for the future of the Dounreay nuclear plant, the fishing towns and villages and the farming, food processing and resurgent whisky distilling of the interior.

Taking the pulse of such an area is difficult. Candidates clock up thousands of miles by car, ferry, plane and train, take seven or eight different pulses and hope to come up with a sensible answer.

Unlike most British citizens, people here know who their MEP is. Indeed, many in other parts of Scotland believe they have beeu represented since 1975 by Mrs Winnie Ewing – "Madame Ecosse" to the tabloid press – who has not been far from the public eye since she started the modern Scottish National Party bandwagon rolling with her dramatic Hamilton by-election win in 1967.

She says this is the first of ber nine UK and European election campaigns in which she is not the underdog and the first in which the SNP is setting the agenda – its vision of an independent Scotland within the EC, and opposition to the poll tax and nuclear waste dumping at Dounreay.

This is the SNP's only seat and Mrs Ewing took 41.9 per cent of the vote last time. Sir Russell Johnston, the veteran Scottish Liberal was second, 16,277 votes behind the SNP with 28.1 per cent. The Tory polled 16 per cent and Labour 14 per cent.

The SLD has much to lose in this poll. This is perhaps the only European constituency in the UK where it has no excuse for doing badly. It holds five of the area's seven Westminster constituencies and it would win easily if the 74,000 who voted SLD in the 1987 general election stayed loyal.

However, the shambles within the centre parties over the past year has not helped. Mr Mitchison, who was a Gaelic broadcaster before moving to work for the European Commission in 1985, says his strong local ties and his EC experience are assets, along with his party's consistent commitment to the EC.

Sir Albert McQuarrie, the former MP for Banff and Buchan, is charged with restoring Conservative credibility in an area the party once dominated but where it now has no Westminster seats. Revelling in his nickname "the Buchan Bulldog," he dismisses suggestions that his "Salad" opponent is the main challenger – it's a two-borse race, he declares, and he's one of them.

Travelling the constituency in a cavalcade of cars, including a decorated milk float, he insists that he is setting the agenda, challenging the voters to reject independence and back "the only unionist party."

However, on top of the general unpopularity of Mrs Thatcher's party in Scotland, the poll tax, introduced on April 1, is spawning a crop of hostile press stories.

Mr Mitchison brings his EC expertise to bear in arguing strongly that the EC would be slow to admit an independent Scotland, partly for constitutional and practical reasons and partly because other member states have national minorities. He challenges listeners to back the principle of a democratic, accountable EC.

He and Mr MacAskill both stress the need for EC policies to conserve communities as well as the environment. Mr MacAskill says the Highlands and Islands – "a periphery of a periphery" – would be crushed in a Europe of unbridled market forces. Equally, he rejects the SNP's vision as "the politics of the playground."

For the Green Party, which did not stand here last time, Mr Michael Gregson is standing on a comprehensive and imaginative programme, admired for its thinking even by his opponents. The Greens may make a strong showing.

EUROPEAN NEWS

OECD REPORTS ON SPAIN AND SWITZERLAND

Madrid criticised for subsidising creation of jobs

By Peter Bruce in Madrid

SPAIN'S Socialist Government has been taken to task for "indiscriminately" subsidising job creation and state enterprises in the latest report on the Spanisb economy to be published today by the Organisation for Economic Co-operation and Development.

In an otherwise bullisb report, the OECD notes that the budgetary cost of employment promotion scbemes in Spain rose 40 per cent to 0.8 per cent of gross domestic product between 1986 and 1988.

"Indiscriminately subsidising employment in a country where demand for labour is growing repidly and labour reserves are large ... may even fail to provide incentives for the creation of viable permanent jobs," the report says.

"Limiting employment subsidies to new hirings with indefinite contracts does not solve the problem of subsidising jobs which would have been created anyway."

It also says that subsidies, mainly to state-owned companies have fallen too slowly, to 4 per cent of GDP last year, and that "the evailability and provision of budgetary fuods encourage financial laxity and retard necessary structural adjustments.

Thus tigbter policies vis-a-vis loss-making enterprisas, including closures of non-viabla lines of production, would help strengthen pnblic finance."

The OECD agrees with Government forecasts of e $5bn rise in Spain's current account deficit this year to $8bn, or 2 per cent of GDP, but says this is not worrying provided production capacity in export industries grows faster than in purely domestic plant and that the conntry continnes to attract foreign capital.

The Bank of Spain reported earlier this week that foreign currency reserves had risen a further $776bn in Marcb to $43.6bn. The peseta, meanwhile, has weakened to around Pta 64 to the D-mark after rising to less than Pta 62 earlier this year after the imposition of strict credit controls.

According to the OECD, Spain's GDP grew 5 per cent last year, with tbe amall decline from 1987 wholly accounted for by a drop in agricoltural production. Gross fixed investment grew close to twice its forecast 8 per cent while real disposable household incomes grew 5 per cent.

The number of people in work grew by 300,000, or 3 per cent of the workforce, with a particularly strong increase in the number of women winning new jobs.

The number of women entering the jobs market kept the official unemployment rete high et 18.5 per cent, but the report forecasts a slow reduction to 16 per cent by the end of 1990.

A sharp rise in inflation since the end of last summer, says the report, is probably more easily explained by demand pressure rather than a dramatic increase in production costs.

GDP is forecast to rise 4.75 per cent this year, with total domestic demand rising more than 6 per cent but, the report suggests, rising inflation in some of Spain's main trading partners may dampen import demand and encourage a shift in financial resources to export industries.

The report also notes with concern the deterioration in ralations between the Government and the trade unions and urges that the breakdown in tripartite negotiations between Government, industry and labour be repaired.

It applauds Madrid's efforts to combat widespread tax evasion but suggests that salaried labour, whicb is taxed et source, bears mucb of the ensuing fiscal burden. The tax base should be widened, the OECD says, to soften union militancy.

It urges Madrid to step up the pace of deregulation and trade liberalisation in order to hold down inflation - now running at 6.7 per cent year-on-year - but says this should be accompanied by a better balance of fiscal and monetary policy to avoid pushing np interest rates and damaging exports.

So far, the OECD implies, success in bringing public sector borrowing to 3 per cent of GDP has more to do with the strength of the economy than with smart policy.

Swiss growth in 1989 forecast at 2.5%

By William Dullforce in Geneva

SWITZERLAND should continna to enjoy satisfactory economic growth over the next 18 months and recent action by the Swiss National Bank (SNB) should belp to halt the recent decline of the franc, according to the Organisation for Economic Co-operation and Development.

In its latest economic survey of the country, the OECD secretariat pencils in gross domestic product growth rates of 2.5 per cent for 1989 and 2.25 per cent for 1990, following the unexpectedly strong 3 per cent increase recorded last year. But it notes increasing snpply constraints on tbe economy, reflected in labour shortages and high capacity ntilisation among manufacturers.

It foresees a further upward pusb in the domestic inflation rate – from 2 per cent in 1988 to 3.5 per cent next year – and it expects tbe current account surplus to continne its decline from 5 per cent of gross domestic product in 1986 to 2.5 per cent next year.

Tbe OECD's letest short-term projections for the economy differ markedly from those contained in its last survey published in April, 1988. Then, it forecast a slowdown in GDP growth to 1.5 per cent in 1988.

But that estimate was predicated on a 2.5 per cent increase in the trade-weighted exchange rete of the franc between 1987 and 1988 and a 8.8 per cent appreciation egainst the dollar. In the event, tbe real effective exchange rate declined by 7.2 per cent during the year and hy 10.3 per cent between December 1987 and March 1989, precipitating widespread domestic concern about monetary policy, the status of the franc and inflation prospects.

In retrospect, it is evident that monetary policy, hampered hy the uncertainty created by new liquidity regulations for the banks and a computerised interbank clearing system, was too expansionary last year.

Recognising the National Bank's difficulties in using more direct monetary indicators as a policy guide, the OECD suggests that monitoring the exchange rate may be of particular importance in tha present situation. With the reservation that it is still not clear whether the banks have adjusted to their new liquidity rules, the OECD secretariet nevertheless sees the SNB's tight target of 2 per cent for the growth in base money this year bringing about a substantial rise in short-term interest rates and belping to stabilise the franc and restrain inflation.

The weaker franc has stimulated exports, and the OECD pins its new, more favourable outlook for economic growth this year to the strength of recent business investment. This, it estimates, is likely to continue despite the rise in interest rates.

In the longer perspective, the OECD repeats soma unheeded recommendetions which it believes would remove potential impediments to growth. It urges the Government to modernise the federal tax system. The Finance Ministry has circulated proposals, all of which include the abolition of the cumulative turnover tax on investment goods. But, because of public resistance voiced in two referendums, it is still fighting shy of a general valne added tax.

Scaling down public support for farming is another OECD recommendetion on which Switzerland has made little progress.

Review of the present cartel-tolerating competition policy is among new suggestions contained in the latest OCED report. And, most topically in the light of the current turmoil on tbe Swiss stock exchange over shareholding restrictions, tbe OECD pinpoints for change "the practice of Swiss companies of exercising discretion in the registration of shareholders, which particularly affects foreigners and which inhibits the development of pnblic companies under pressure of market forces."

UN farm agency agrees refinancing arrangement

By John Wyles in Rome

DONOR COUNTRIES to tbe UN agency for Third World farmers, the International Fund for Agricultural Development, yesterday ended 18 months of negotiations with a $522.9m (£330.5m) refinancing.

The total is less than the $750m sought by Ifad's president, Mr Idriss Jazairy and is marked by a 13 per cent drop in the burden assumed by the Opec countries.

Opec is contributing $124.4m instead of the $184m in the second financing in 1986. Most Opec members agreed to maintain their earlier contributions, but the largest donor from this group, believed to be Saudi Arabia, insisted it had to reduce its contribution.

Beneficiary countries will bear 10 per cent of the total, encouraged by an offer by OECD industrialised countries to give three dollars for every one by the developing group.

AMERICAN NEWS

Rates throw Mexico off debt course

By Richard Johns in Mexico City

SURGING domestic interest rates have cancelled out the benefits to Mexico of increased oil revenues, upsetting the government's fiscal calculations and making all the more urgeot a deal with creditor banks on debt refinancing.

Mexico's foreign exchange earnings from oil exports in the first five months of 1989 were 40 per cent higher than projected in the budget, with most of the increase resulting from higher prices, according to Pemex, the state oil corporation.

For the Mexican Government, however, the fiscal gain from the marked rise in per-barrel revenues this year has been more than offset by the increased cost of domestic borrowing.

To compete for funds on the local market and to prevent further capital flight, the Government has hed to pay increasing rates of interest rates. At the last euction, in May, of 28-day Treasury bills (Cetes), the predominant money market instrumeot, it had to pay more than 56 per cent, the equivalent in real terms of about 3 per cent monthly.

With the negotiations with commercial banks on a reduction and restructnring of $54.5bn of debt in the balance, the Government is very nervous about a renewed outflow of funds. Foreign exchange reserves are believed by some bankers to have dropped to as low as $4bn.

Negotiations on refinancing will be resumed in New York tomorrow with the backing of reassurances by the International Mooetary Fund, the World Bank and the Inter-American Development Bank about funds available for guarantees on interest and principal payments.

The cost of borrowing this year has been about one-third higher than envisaged at the beginning of the year, and will have more than offset tba higher receipts from Pemex.

Oil exports averaging 1.3m barrels a day during the January-May period earned $3.24bn at an average price of $15.32 per barrel, Pemex announced this week. The very cautious bodgetary assumption had been a volume of 1.25m b/d at $10 per barrel.

Banks involved in negotiations over Mexico's plea for a 55 per cent reduction in liabilities to commercial banks have argued that higher oil prices bave lessened the need for relief.

Pemex was expected to contribute 27-28 per cent of revenues (including value-added tax) but projected income in the 1989 budget covers only about 52 per cent of expenditure, whicb was set at 246,507 bn pesos (just over $100bn at current exchange rate) with the rest to be covered by domestic and foreign borrowing. Amortisation of debt and interest payments accounted for 60 per cent of spending.

In talks preceding agreement with tbe IMF on e $3.6bn extended loan facility to April, the Government's macroeconomic programme underwent some revision.

It is understood that the IMF conceded the inevitability of an increase in the budget's operational deficit (including interest payments) from 7,963bn pesos to 12,130bn, with all the difference of 4,200bn pesos ($1.72bn) ecconnted for by interest rates higher than originally anticipated.

That figure has already had to be amended. While the Mexican Government's letter of intent to the IMF targetted a reduction of domestic interest payments to 9 per cent of GDP, a projection made more recently estimated just over 11 per cent – in practice, a difference of the peso equivalent of $3bo.

Only a very successful conclusion to the negotiations with the commercial banks in the near future will open the way for a lowering of interest rates, in the view of officials and economic analysts here.

● Mr José Córdoba, Technical Secretary to the Cabinet and President Carlos Salinas's right-hand man, is believed to have been given overall charge of Mexico's negotiations with the banks.

The president's decision followed e dispute in the Mexican camp after Mr Angel Gurria, chief of negotiator and Undersecretary for Financial Affairs, had proposed e partial suspension of debt paymeots in the last round of talks.

Zooming in on profits from forest martyr

By John Barham in São Paulo

MR CHICO MENDES, leader of the rubber tappers of the Brazilian Amazon, gained greater fame in death than during his brief but brilliant career as a defender of the rain forest. Mr Mendes was almost unknown in Brazil until his murder in December. He immediately became a martyr to the international environmental cause.

Now, though, bis glory is being touched by a sordid dispute among his disciples over a million-dollar film contract to tell the story of his life and the rubber tappers' campaign to save the rain forest.

Late on Wednesday, efter much indecision, Mr Meodes's widow, Ilzamar, signed a $1.75m contract, selling the rights to make e film of his life to a little-known Brazilian company which hed ootbid three Hollywood heavyweights. The money will be shered emoug herself, Mr Mendes's first wife and family, and the Chico Mendes Foundation, created after his death to continue his work.

The rubber tappers' nnioo which Mr Mendes founded, has been riven by violence since bis death. Rivel factioos accuse each other of embezzlement. One official hed to flee the region lest week, after death threats from members.

Since Mr Mendes's death, his bome town of Xapuri, in the westernmost Amazon state of Acre, has become a Mecca for foreign journalists and television crews. They are fescinated by his charisma and the courageous and romantic defiance of the rubber tappers, who use passive resistance to resist destruction of the forest by landowners.

After he died, the foundation was immediately besieged by Hollywood producers, who could barely get their tongues round the town's name (it's said shapuree). The American film ector Robert Redford, the director Costa Gavras and the distribntors Warner Brothers all made substantial proposals to the foundation.

But, to the disgust of many Brazilians and former comrades of Mr Mendes, the widow picked the Brazilien company to make the film. It is to he directed by Walter Avancini, who makes slick television mini-series and soap operas for TV Globo, the biggest Brazilian commercial network.

Folha de São Paulo, ooe of Brazil's leading newspapers, commented yesterday: "The choice by Ilzemar Mendes could not have been less fortunate."

The Brazilian company, JN Filmes, is said to be thinking of casting an American ector – either Dustin Hoffman, Robert De Niro or Al Pacino – as Chico Mendes. The female lead will go to Sonia Braga, a Brazilian actress already experienced in US films. Although filming is meant to start in a year hence, none of the ectors has yet been contacted.

Mrs Mary Allegretti, an anthropologist and member of the foundation, told the press: "JN Filmes is an unknown company without any presence in the market, and the film runs the risk of never being made."

Mrs Mendes said she chose the company for "personal and moral, as well as economic, reasons."

Menem hits trouble on labour portfolio

By Gary Mead in Buenos Aires

MR CARLOS Menem, Argentina'a presideot-elect, faces the prospect of serious inter-union conflict, after his decision this week to nominate a trade union leader as his Labour Minister.

He confirmed this week that the crucial post is to be filled by Mr Jorge Triaca, head of the plastic workers' union. But Mr José Rodriguez, leader of the car-workers' union (SMATA), had publicly stated before the presidential election in May that be had ben offered the post by Mr Menem, if his Peronists were to win the presidency.

Mr Menem's victory signalled the start of a struggle within trade union circles to gain the Labour Ministry. Trade union support was crucial in Mr Menem's election; its reward was always likely to be a seat in government, with the Labour Ministry the strongest bet.

It appears that Mr Rodriguez fell foul of an old rivalry between his union and that of the metal workers (UOM), led by Mr Lorenzo Miguel, who has controlled it for 20 years. The UOM (witb more than 300,000 members) outweighs SMATA (estimated 20,000 members) in clout among Peronists, though both have long struggled to gain predominance in closely linked industrial areas.

The UOM leaders are understood to have promoted Mr Triaca's nomination against Mr Rodriguez. The latter has since rejected Mr Menem's offer of the much more junior post of Tourism Secretary.

Describing the UOM as "dedicated to destroying," an irritated Mr Rodriguez said on Wednesday: "If the UOM wants war, it can have it."

● Argentina's government yesterday raised public sector tariffs by 25 to 37 per cent in an attempt to increase revenue. Government revenues are being rapidly eroded by hyperinflation which, for June alone, will exceed 100 per cent.

Moscow challenged on Nato arms offer

By Peter Riddell, US Editor, in Washington

The US yesterday challenged Mr Mikhail Gorbachev, the Soviet leader, to make an early response to Nato's new proposals for reducing conventional forces in Europe when he visits West Germany next week.

The call came from Mr James Baker, Secretary of State, who also urged Mr Gorbachev to announce next week a cut in Soviet short-range nuclear forces.

Mr Baker's challenge, in a speech in Washington, reflects the more assertive and self-confident tone to US foreign policy following President George Bush's successful visit to Europe last week and the agreement at the Nato summit in Brussels on US nuclear and conventional force proposals.

The US now believes it has the initiative in the arms control debate. Moreover, Mr Baker'a ettempt to link a response by Mr Gorbachev to his visit to West Germany next week is in part an attempt to copy the Soviet leader's public relations skills and to put him on the defensive.

Mr Baker argued that, "if the Soviet Union truly wishes to channel needed resources from the military to the civilian sector, then these new (Nato) proposals surely offer the opportunity."

He argued that the time was right for Mr Gorbachev "to respond positively to the opportunities presented by these initiatives. Indeed, we look for him to do so when he travels to West Germany."

Noting that the alliance had urged the Soviets to rednce unilaterally their short-range nuclear systems down to Nato levels, Mr Baker said that next week Mr Gorbachev "can sustain this new spirit by answering this call and by announcing a real cnt in Soviet short-range nuclear forces."

Mr Baker noted that the west's approach went beyond arms control and was aimed at removing the divisions of Europe.

Bush faces decision on FSX curbs

By Peter Riddell

PRESIDENT Gaorge Bush faces a tricky decision on wbether to veto legislation passed by the Senate and the House of Representatives, imposing restrictions on the controversial FSX fighter project with Japan.

The project will almost certainly go ahead, although the House, late on Wednesday, passed a non-binding resolution of disapproval by 320 to 98, mainly to aignal the widespread concern of Congressmen both that Japan should have bought the fighter outright from the US and generally aboot Japanese trading practices.

The problem now is whether Mr Bush believes that the restrictions imposed by Congress either infringe his presidential prerogatives or require a further renegotiation of the deal with Japan.

Democrat hints at capital gains tax compromise

By Peter Riddell, US Editor in Washington

HEAVILY hedged hints of a possible compromise in the controversy over cuts in capital gains tax have been made by Mr Dan Rostenkowski, the Democratic chairman of the House Ways and Means Committee, which originates all tax legislation.

Mr Rostenkowski, who has strongly opposed the Bush administration's proposals for a reduction in capital gains tax, yesterday conceded that such a cut might be unavoidable. Democrats have opposed the cnt because they say it would disproportionately benefit the wealthy.

He has said he is under pressure to produce a tax bill this year to help reduce the Budget deficit, and might be prepared to discuss a capital gains tax reduction if President Bush changed his mind and was willing to accept a tax increase elsewhere in return.

His remarks, in two newspaper interviews, are mainly intended to accelerate negotiations with the administration on the most tricky outstanding issue of the 1990 Budget. The initial impact of a capital gains tax cut would be to raise revenue, by up to $4.8bn according to Treasury estimates, and therefore alternative revenue sources will have to be found if this proposal is dropped.

Democratic willingness to support e capital gains tax cut is dependent on the administration backing some of its initiatives on, for example, child care and its tax proposals. "I'm not going to prostrate myself to help this president without getting something the Democrats can enjoy," he said.

The President has proposed cutting capital gains tax from the current maximum of 33 per cent to 15 per cent for long-held assets.

Investment in equipment 'set to grow strongly'

By Peter Riddell

US business investment in plant and equipment looks set to grow strongly for the rest of this year, according to the latest Commerce Department survey.

This projection suggests the US economy will continne to expand for the rest of the year, albeit at a slower pace.

A survey conducted in April and May points to e small revision npwards of expected investment in 1989 compared with results of previous interviews in January-to-March.

In real, inflation-adjusted terms, spending on new plant and equipment is now projected to rise by 6.5 per cent, compared with 6.3 per cent previously and actual increases of 2.3 and 10.1 per cent in 1987 and 1988.

Main npward adjustments have come in investment plans for non-durable goods companies and public utilities.

Brazil angry at choice of US envoy

By John Barham

MR RICHARD Melton, the controversial former US Assistant Secretary of State for Central America, will be the next American Ambassador to Brazil, despite misgivings in Brasilia.

The Brazilian Foreign Ministry was reported to be angered by his choice to replace Mr Harry Schlaudemann.

Mr Melton must still be confirmed by the US Senate, but this is expected to be a formality and he should take up his post by early autumn.

Mr Melton has irritated Latin American governments with his record in Central America and as Ambassador to Nicaragua.

The Nicaraguans accused him of interfering in their internal affairs and declared him persona non grata.

An official of the US Embassy in Brasilia commented: "There is a tradition of incoming ambassadors being roughed up".

Mr Melton's nominatinn aroused further controversy after a Brazilian congressional staffer claimed he had been interrogated by Mr Melton while held as e political prisoner in 1967.

Mr Melton was serving as a vice-consul in Recife at a time of intense political repression under a regime closely supported by Washington.

Struggle to stem political tides

Tim Coone looks at the uncertain future of the Panama canal

APART from the US army helicopters clattering incessantly overhead, there is little evidence along the Panama Canal of the political crisis that is threatening to plunge this diminutive hut etrategically-important country into war. That could soon change however.

Since the crisis began in June 1987, and which was exacerbated last month by e government-engineered electoral fraud, canal operations have been relatively unaffected.

While General Manuel Antonio Noriega has thumbed his nose at US efforts to remove him from power, cargo tonnage through the canal has continued to grow by an average 6 per cent annually. Tolls in 1988 were up 2.8 per cent on the previous year.

However, doubts are also growing over the canal's operating efficiency and its long-term development as an interoceanic transport route, should the political crisis continue indefinitely.

Mr Fernando Manfredo, the Deputy-Administrator of the Panama Canal Commission (PCC), said that staff accident rates had risen sharply in the past 18 months because of stress, and that "although there has been no adverse impact on the operation of the canal, that is not to say there might not be to the future."

The canal's 6,520 Panamanian employees face sanctions from their own government because of the witholding of their taxes by the PCC under US Government sanctions imposed in 1988. As tax "delinqnents," PCC employees, including Mr Manfredo himself, are unable to take their own cars on the road, they are forbidden to leave the country and many have their bank accounts frozen.

Meanwhile, longer-term problems lie in wait which could have an even greater impact on the canal. Important investment decisions, to avoid bottlenecks in the canal during the coming decade, must be made soon but are being held up by the political stalemate.

On present projections, Mr Manfredo said: "Widening of the Gaillard cut will be necessary by the mid-1990s and the time needed for such work could be from 3 to 5 years." A decision may be needed as early as next year. Discussions are frozen, however.

The Gaillard Cut is e 500-ft wide, eight-mile stretch of the canal blasted through the mountains and named after the engineer that built it at the start of the century.

Large ships of the "Panamax" kind (which can just squeeze through the canal's locks), are presently restricted to just one-way and daylight operation through the cut. It is this class of vessels, however, that is increasingly making use of the canal. "The number of big ships using the canal is growing and we could soon face saturation with the ship mix," Mr Manfredo warned.

At current costs, widening the cut would require an investment of abont $400m. Without a large increase in tolls (which stand at $337m per year, all of which is spent on operation, maintenance, and remunerations to the Panamanian Government) recovery of such an investment could not be achieved before the year 2000 when the canal is due to be handed over to the Panamanian government under the 1977 Panama Canal Treaty.

The Treaty stipulates that the canal has to be handed over to Panama "free of liens and debts" and without cost to the US taxpayer "entirely "unless otherwise agreed between the two parties."

The present state of relations between the US and Panama makes any agreement extremely unlikely, while third party financing, whether from private or government sources is equally improbable given Panama's political climate.

The same uncertainties affect other project proposals and alternatives which would increase Panama's role as provider of an international trade route across the continent. One is the Centreport plan, to create a land-bridge link across the isthmus for container traffic. Improved container facilities at the ports of Balboa and Cristobal at either end of the canal, and modernisation of the antiquated railway link between the two will require an investment estimated at $327m.

Even more expensive options such as the construction of a third set of locks, or a new ocean-level canal, the latter with a minimum price tag of $25bn, face the additional uncertainties about the future of ocean-going transport in the next 50-100 years.

"A canal is fixed technology while pipelines, railways and ships are all undergoing innovations whicb could make a new canal obsolete," said Mr Manfredo.

Bearing in mind that view, General Noriega's strident nationalism appear highly counterproductive. A lack of new investment in the canal that he hopes to take control of in the year 2000 could make it obsolete anyway.

OVERSEAS NEWS

Deluge of propaganda starts to drown the hopes of freedom

Robert Thomson on the backlash against 'counter-revolutionaries'

HANGING from one wall was a board charting work attendance rates, and around the meeting room were banners awarded to this particular sanitation section of Peking city government for its contribution in "building the motherland."

Over cups of tea, thick with leaves that refused to settle on the bottom, the section's two Communist Party leaders gave the justification of last weekend's tragedy that will be given to oarty members throughout the country.

I don't quite know why they bothered to even talk to me and another journalist yesterday. We were wandering the city's backstreets, talking discreetly to people about the brutality of the weekend and how they were coping, and began chatting to a group of sanitation workers.

A party official, smiling, confident and apparently an open-minded man, invited us into the meeting room, offered us cigarettes and tea – and gave us a whitewash.

It was one of several disturbing signs yesterday that the party apparatus bas arisen from the ashes of the weekend, signs that the hopes for freedom are now being crushed by far more insidious means than tanks and machine guns.

Those hopes are being buried under piles of propaganda by men and women who, for whatever reason, are faithful to the party above all else.

The relentless rewriting of history and the distorted party documents do not make for compelling television images in the West, but they, too, are maiming people.

One unsubtle arm of the apparatus, the secret police, has already begun doing its rounds of the backstreets, gathering information about "counter-revolutionaries," if not detaining them.

At the last count there were five categories of counter-revolutionary, including intellectuals promoting bourgeois ideas, student activists and hooligans – though what makes a "hooligan" is also for the party to define.

These people tend to be the usual suspects rounded-np whenever the hardliners are in the ascendancy. In recent years, the likes of Zhao Ziyang, the now-purged party secretary, have stood between the hardliners and their victims. With Zhao and, no donbt, many of his supporters cleared out of the way, these victims are more vulnerable than at any time since the excesses of the cultural revolution two decades ago.

Convicted counter-revolntionaries can expect the death penalty, though Li Peng, the Premier, who appeared triumphantly on television last night, implied that criminals who give themselves up will be treated with relative lenience.

If Li and his comrades remain in power, an increasingly likely prospect, the number of intellectuals and students transferred, sacked, detained, or just black-marked and terrorised will be incalculable.

Bnt these people have always taken risks in China – the recent democracy protests were made more potent by the participation of ordinary folk, and that's where the party officials at the sanitation section in the south of Peking come in.

Both men, one in a shirt and slacks, the other in a blue Mao suit, were affable. They were not unintelligent, had a sense of humour and even a feel for irony.

Their subtlety made them all the more formidable. They were both men who had devoted their lives to the party and who seemed, at least, to be willing to believe whatever edicts the party delivered from on high, and to be willing to pass them on to the workers under their command.

Neither believed that the casualty figure at the weekend was high: "We have 1,000 workers here and not one of them was injured. We are not sure if the television report (23 student deaths) is true, but the figure was not very high."

Amid a long and almost plausible lament about the tragedy, they characterised the protest as a "counter-revolution" organised by a "very few people."

The protesting students "love the motherland" but were exploited by the few conspirators who were "stirring up trouble." Pure party line.

I asked if they thought the People's Liberation Army was serving the people or the party leadership: "Everybody knows that a small number of people run the army in every country. The army serves the people but is run by the leaders. It is the same in England and in Australia. That is the way it has to be."

Both men were aware that the US had criticised China for the events last weekend, but did not know that other nations had condemned Peking and imposed sanctions.

Li Peng had suggested in a party document that both men would have read that Washington could have orchestrated tha damocracy protests becanse of concern over improving Sino-Soviet relations.

"We didn't know other governments disapprove. I hope that the countries of the world will understand China's historical circumstances. This is a Chinese situation and the situation is very complex. Foreign countries should seek truth from facts," tha man in the Mao suit said.

"Seek truth from facts" is a Maoist saying co-opted by Deng Xiaoping. Like many of Mao's sayings, it is vague enough to be re-interpreted and used by the party to justify the policies of the day.

I suggested that the protesting students would probably have tired of their occupation of Tiananmen Square, and the use of the army was not necessary: "It was getting more and more chaotic. Something had to be done. The troops had to be used."

These two well-briefed party officials admit that they have difficulty understanding who is running the country.

"Comrade Deng Xiaoping is still our leader. Comrade Li Peng is our Premier."

As for comrade Zhao Ziyang? They couldn't say, and they conceded that it was strange that they, as party members, were unsure of who was leading the party: "It is something we should know."

They also conceded that the protests and the reluctance of foreign countries to business with China would burt economic reform: "The problems for economic reform are not small."

These two are already walking the new party line. Television is doing its bit to convert disbelievers, showing cleverly edited scenes of the violence of Saturday and Sunday.

Other institutions in the apparatus have also began to fall in line. The Foreign Ministry has issued a statement condemning the US, and Xinhua, the official news agency, has begun issuing diatribes against the targets of the day.

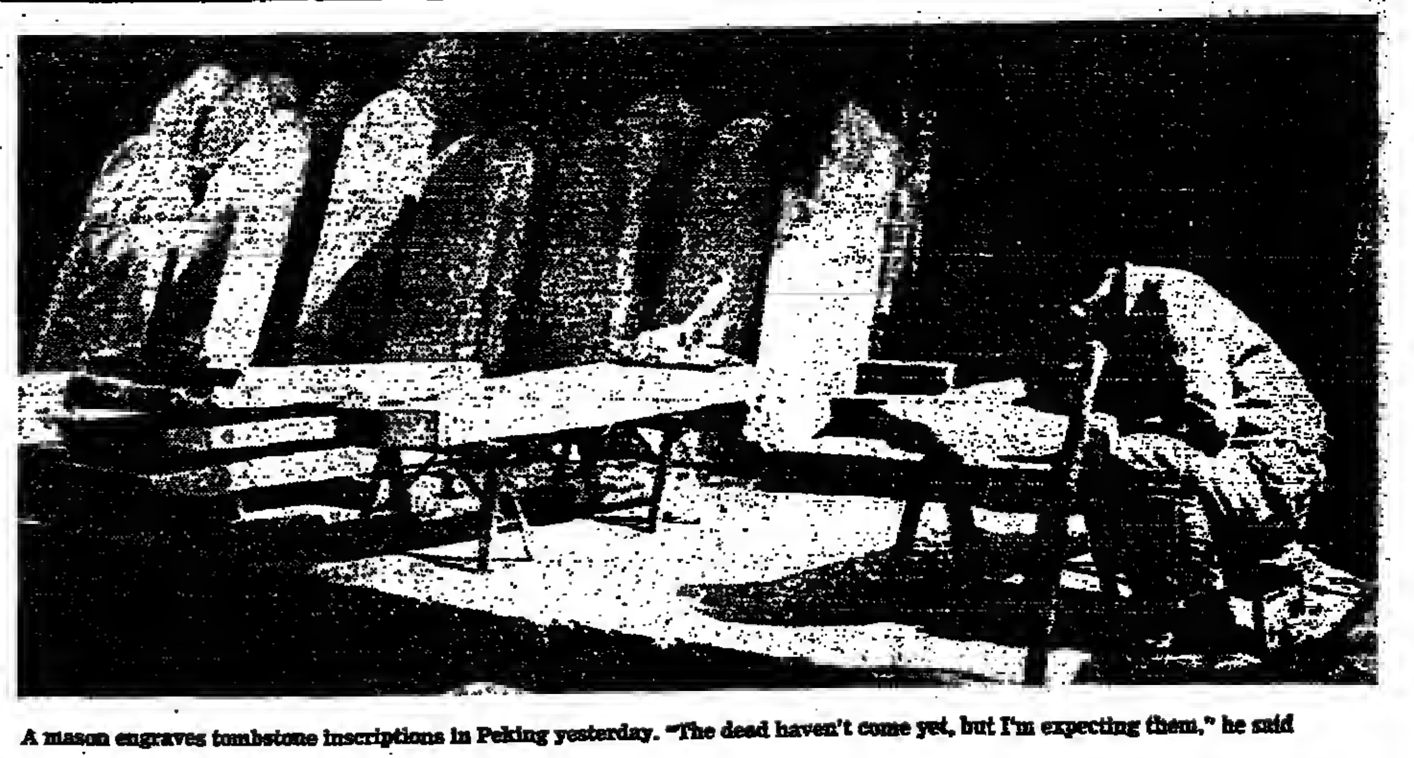
Peking people are more cynical than a decade ago, and generally know when the party is lying. But they also know that the weight of the apparatus is bearing down on them.

On the streets, tbere was another symbol of the alienation that the apparatus causes. Until yesterday, the traffic police had been shut out of the military government, they were outside the system.

On virtually every corner io Peking, traffic police had come down from the little boxes in which they sit reading newspapers and drinking tea.

They were talking to the masses, swanping the latest rumours, and sharing black bumour.

Yesterday, the traffic police were back in their little boxes.



A mason engraves tombstone inscriptions in Peking yesterday. "The dead haven't come yet, but I'm expecting them," he said

Regional turmoil follows Peking massacre

Colina MacDougall reviews the extent of the unrest in China's provinces

CHINA'S regions are falling into line behind Peking's military action last Sunday with apparent reluctance, as chaos increases in provincial cities.

Local leaders probably fear they will fnel more disruption by supporting Peking, when much of the protest is reaction against the army's bloody sweep through the capital. Even army units have not given total support for the military action in Peking.

By yesterday only the Lanzhou and Chengdu Military Regions party committees (out of seven military regions altogether) had supported it, along with the Xian Military District in Shaanxi.

Nine provincial party committees out of a possible 29 had backed the action, which left 20 still silent. The nine are Shanghai and Shandong province in east China, Xinjiang, Inner Mongolia and Qinghai among the north-west minority areas, Sichuan and Guangxi in the south west, Hubei in central China and Jilin in the north east.

Fujian, and Jiangxi in east China, plus Shaanxi in the north west were named by Radio Peking as supporters, but they had not gone on record to that effect by yesterday.

None of this is surprising given the violence and the uncertainty about how to repond to it, which is spreading across China.

The main centres of provincial upheaval are Shanghai, Wuhan, Xian, Nanjing, Changsha, Chongqing, Chengdn and Lanzhou, though disruption has affected numerous other towns and cities. This is likely to be confirmed as reports flow in from outlying areas.

In Shanghai yesterday hundreds of people used vehicles to block roads and bridges, while many students and workars headed out into the countryside to spread news of bloodshed in Peking. Railway workers stopped operating the railway on Wednesday, when a train crashed into protesters who then set it on fire.

In Wuhan, on the key north-south railway line in central China, students and workers blocked the bridge over the Yangtse and started ripping up the tracks.

Roads blocked by demonstrators and vehicles crippled tba city's transport system, although the number of demonstrators had dwindled. Residents watched nervously as troops stayed on the edge of the city, a Wuhan university student said.

In Changsha in the southern Hunan province there were long queues for rice. Elsewhere in the province roadblocks prevented steel going to the Wuhan steel works.

The city gates in Xian, closed since Monday, remained barricaded by thousands of protesters who had blocked them with buses, trucks and steel traffic dividers.

In Nanjing, in east China's Jiangsu province, a student said the situation was still "extremely nervous." He added that the city was in a state of confusion, with clashes between protesters and police. People were also withdrawing money from banks.

"We are prepared for a crisis and have been expecting martial law since Tuesday", he added. "All the colleges are closed and workers have problems getting to work. People all over are spreading the truth and horror of the Government's brutality to its people." Students marched through the city earlier in the week wearing black armbands to commemorate the dead of Peking.

In Chongqing, Sichuan province, a resident told Reuters that the police had arrested many student leaders as protesters continued to block public transport. He added that students continned to boycott classes and many had fled to their homes, fearing a crackdown.

In Chengdn, capital of the same province, following violent disturbances on Tuesday, panic buying started on Wednesday and the radio spoke of fierce attacks by "ruffians."

In Canton, parts of the city were reported cleared on Wednesday and to be returning to normal. However, supplies were becoming a problem as no trains from the north had arrived for several days.

Reversal of HK policy urged

By Philip Stephens, Political Editor

SIR David Wilson, tha Governor of Hong Kong, yesterday sharpened the British Government's dilemma over the crisis in China by urging it to reverse its refusal to allow ths colony's British citizens right of sntry to tha UK.

During a day of urgent talks with Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, tha Foreign Secretary, Sir David made it clear that they should be prepared to underpin confidence in Hong Kong by offering a refuge of last resort.

His call came as Mrs Thatcher repeated in the House of Commons that the Government was looking urgently at operating its existing immigration rules more flexibly and – if necessary – would consider new legislation.

She suggested that an announcement could be made within the next few days, but there was acknowledgement in Whitehall that the suppression of the student demonstrations in Peking had left Mrs Thatcher with an acnte dilemma.

Senior ministers stressed that the Government's position was that any new flexibility on rights of entry would apply only to key, relatively small, groups of people in the colony. They pointed out that there was little political pressure at Westminster for a blanket guarantee.

That meant that the Government would not accept anything even vaguely approaching the 3.25m people who are eligible to take out British National Overseas passports.

Sir David sought to dismiss suggestions, however, that a decision to upgrade those passports - which are little more than travel documents - would result in a massive influx into Britain.

Although he underlined the present anxiety in Hong Kong over events in China, he also pointed out that only ebout 1.2m – just over a third of those eligible – had taken out British natiooality, and of those only a small proportion would actually want to leave the colony.

The purpose of granting right of entry was to give them the confidence to remain in the colony. "I would like to see the sort of assurances that will enable people to stay in Hong Kong," he said.

There were strong suggestions that Sir David's call for a blanket right of entry was a negotiating tactic to pressurise the Government to accept as many people as possible.

Senior officials said, however, that attempts to work out self-contained or distinct categories of people to be granted the right of entry – without severely damaging morale in the rest of the community – were proving immensely difficult.

US-PLO talks fail to resolve issue of W Bank election plan

By Jihan el-Tahri and Andrew Gowers in Tunis

THE US failed yesterday to persuade the Palestine Liberation Organisation to reconsider its opposition to a plan for elections in the occupied West Bank and Gaza Strip being promoted by the Israeli Government with American support.

At a third formal session of the US-PLO dialogue launched by Washington last December, Mr Robert Pelletreau, US Ambassador to Tunis, asked Palestinian representatives to give serious consideration to the election idea as a first step towards transitional arrangements and a negotiated settlement with Israel.

But Mr Yassir Abed Rabbo, head of the PLO delegation, reiterated that elections could be held in the territories only after an Israeli withdrawal and that "any practical steps must be part of a comprehensive and inter-related process leading to the establishment of an independent Palestinian state."

"This mnst be spelt out clearly at the outset," said Mr Abed Rabbo, a senior member of the leftist Democratic Front for the Liberation of Palestine.

The PLO's restatement of its maximalist position on the Israeli election plan apparently reflects frustration at Washington's failure to spell out how the poll might be built in to any wider negotiating process.

In particular, the Palestinians have been pressing the US to endorse the goal of Palestinian self-determination. But the US is anxious not to prejudge the outcome of any future negotiations, and wants first to focus on ways of getting the process underway.

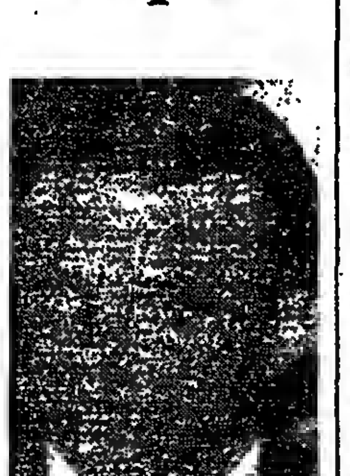
In this context, Mr Pelletreau described the election plan as "constructive and workable, deserving of a positive Palestinian response."

Each side was careful yesterday to pay tribute to the seriousness of the other's position. Mr Abed Rabbo expressed the PLO's "genuine interest" in a speech by Mr James Baker, US Secretary of State, two weeks ago calling on Israel to forswear the aim of annexing the occupied territories.

But Mr Pelletreau expressed US concern about continuing attempts by radical PLO factions to infiltrate across Israel's border with Lebanon, saying "such activity cannot help but harm efforts to move the peace process forward."

Although the US is likely to continne to press Israel for more details of its plan – especially concerning tbe role of the Palestinian population of East Jsrusalem – it is not clear that Washington is prepared to move further towards the PLO's demand for a clearer idea of where the elections would lead.

The PLO's constant worry is that without guarantees that the poll would antomatically be followed later by negotiations on Israeli withdrawal from the territories, the Palestinians there will be left with limited local autonomy rather than their desired independent state.



Robert Pelletrean (above) in Tunis yesterday trying to encourage the PLO's "interest" in James Baker's view

Ethiopian rebels reject offer of peace talks

By Julian Ozanne in Nairobi

ETHIOPIAN rebels, buoyed by a string of recent victories against the Marxist regime of President Mengistu Haile Mariam, yesterday rejected the government's offer of unconditional peace talks quashing one of the best opportunities for a political solntion to Africa's oldest civil war.

The Tigray People's Liberation Front, who in March took control of the entire province of Tigray, ruled out the possibility of talks with the present rulers until a provisional government was formed consisting of all major opposition movements.

The TPLF, a Stalinist outfit, has persistently refused to negotiate with President Mengistu.

The secessionist Eritrean People's Liberation Front, who have been battling for independence for 28 years, said it was prepared to open negotiations but not under the terms of the government's latest offer.

On Monday Ethiopia's parliament approved a six point peace plan calling for talks with any willing group without preconditions, in public and in the presence of a mntually agreed independent observer.

The proposals mark a serious change of direction on the part of the government who have previously insisted on talks being conducted in private and on the basis of the non-negotiable territorial integrity of Ethiopia.

But on Tuesday, at a press conference with Western reporters, President Mengistu reaffirmed the government's traditionally hard line negotiating position.

"All of us in Ethiopia ranging from myself down to anybody in the entire leadership is not mandated to negotiate with anybody the secession of any one component of Ethiopia nor its independence. This is not negotiable at all," he said.

Ths EPLF said yesterday President Msngistu's insistence on the unity of Ethiopia was "not only tantamount to setting preconditions but also betrays the lack of a genuine desire for negotiation and peaceful solution."

Nigeria meets deadline for debt rescheduling

A DELAYED Nigerian agreement with foreign commercial banks to rescheduls $5.4b of debt has come into effect, a Central Bank of Nigeria official said yesterday, Reuter reports from Lagos.

Nigeria had delayed a payment in April which meant the original starting date of April 7 had to be put back two months. Mr Shobowale Animashawun, the assistant director for foreign operations, said that all interest arrears have been cleared.

He said the agreement, signed in March with Nigeria's creditor banks, known collectively as the London Club, provided for repayment starting in 1992 of aronnd $2.9bn of medium and long-term debt over 17 years at ¼ of a per cent above ths London interbank offered rate (Libor).

It also covered about $2.5bn worth of letters of credit over 12 years at ⅝ of a per cent above Libor.

Accumulated interest of $500,000 on the letters of credit, to be paid over three years 1989-91, will carry no further interest if paid on schedule.

London bankers said in April that the delay in paying interest due on medium-term debt had endangered the pact. Central bank sources said a delayed payment of $345.1m went to London Club creditors in April.

Mr Animashawun, without specifying amounts, said the final payment required to activate the agreement was made last Monday. He said Nigeria, with a total debt stock of about $30bn, was satisfied that the terms of the rescheduling were comparable with thosa attached to agreements with other Third World debtors.

But present high interest rates were a cause of grave concern. "Today's interest rates have a way of neutralising the gains of rescheduling," he said.

India aims to boost private role in power sector

By David Housego in New Delhi

INDIAN government proposals to accelerate private investment in the power generating sector have been broadly welcomed by private industry.

The proposals aim to reduce the crippling power shortages in many states. They also reflect a move towards involving the private sector in infrastucture projects from road building to oil exploration which had previously been reserved to the state.

Senior government officials outlined the proposals to representatives of industry at meetings in New Delhi this week. The aim was to iron out differences before the plans are fully approved by the cabinet.

The proposals would permit licensed private companies to build gas, coal or lignite-based power stations to feed into the public grid.

Investors would have to find 20 per cent of the funds from their own resources. They would be allowed to seek a further 40 per cent in loans from state financial institutions and the rest from abroad.

The scheme is based on giving investors a 15 per cent return on capital after tax, equivalent to an estimated 32 per cent before tax. Electricity prices are state-administered, but the financial return is based on the generating plants operating at a 63 per cent load factor.

This is well above the operating efficiency of most state owned power stations, but well below that of the few private sector plants. Tata Electric achieves a 90 per cent load factor at its plant in Bombay.

Potentially large profits, as the private sector sees it, can thus be made by operating the plants above the proposed 63 per cent norm.

The private sector's main fear is that it has no guarantee of payment from state governments. In India state electricity boards often make large losses because they are unable to collect payments on electricity bills from customers.

Australian Labor party reopens row over privatisation

By Chris Sherwell in Sydney

KEY ministers in Australia's Labor government have reignited the controversial party debate on privatisation by calling for a full sell-off of its two airlines, Qantas and Australian Airlines.

Yesterday Mr Bob Hawke, the Prime Minister, reaffirmed his backing for such action. Pointing to the government's limited spending capacity, he said the hard choices before the party meant it was a matter of "prioritisation" rather than "privatisation."

The issue first resurfaced on Sunday, when Mr Ralph Willis, Transport Minister, said the government should sell ths enterprises entirely. He won immediate public support from Mr Hawke and three other senior ministers, but party leftists and trade unionists restated their opposition.

Labor declared at its party conference a year ago that it remained committed to full ownership and control of public enterprises, but acknowledged that Qantas, the international carrier, and Australian Airlines, its domestic counterpart, both needed substantial capital injections to remain competitive.

Under an awkward compromise, the party papered over its split by setting up a committee to evaluate all options for meeting the airlines' capital needs. The committee has not yet reported, and any change will still require a decision by a party conference.

That could take some months, but Mr Hawke indicated yesterday he wanted the issue resolved before the next election, expected within a year. Adding to the pressure is tha ambitious privatisation programme nnveiled last month by the opposition Liberal Party.

Apart from the airlines, it says it would sell off the Aussat satellite group, the Commonwealth Bank, the national shipping line and the Overseas Telecommunications Commission. Privatisation is thus likely to be a significant electoral issue.

Mr Hawke said yesterday be "put this issue on the table," and said he would be sad rather than embarrassed if the party "doesn't get its priorities right." Increasing demands were being made on government, to look after the disadvantaged and protect the environment.

"If you're going to be able to meet those demands within an acceptable level of taxation, then as I said before, you've got to go through a process of prioritisation," he said.

He would prevent the sale of Telecom or Australia Post, he added. But in relation to the airlines, "Yon have a situation where the public interest is in no way served hy the government owning and running airlines."

In his view, a "golden share" arrangement would be adequate to meet the public interest requirement that a privatised Qantas not become foreign owned or act against the country's foreign policy.

Vietnam hopes to secure IMF deal

VIETNAM hopes to finalise a tough economic reform package with the International Monetary Fund (IMF) next mouth that should unlock new funds for the ailing communist state, Reuter reports from Hanoi.

Nguyen Cong Hai, deputy director of the foreign department of the State Bank of Vietnam, said in an interview this week be hoped agreement would be reached during an IMF mission to Hanoi in July.

It would involve an arrangement for settling Vietnam's arrears with the bank of abont $135m and IMF approval for radical measures to slash inflation, eliminate subsidies and promote exports in the south-east Asian state.

"If we can agree on an economic programme with the IMF, the IMF will help mobilise funds to repay two thirds of the overdue debt. We'll mobilise funds to repay the remaining third," Hai said.

"Once this has been done the IMF will give access to more funds," be said.

This would also encourage the World Bank and other international sources of funds anch as the Asian Development Bank to provide assistance, he added.

He said Vietnam had introdnced many of the reforms contained in a package which he hoped could be submitted for IMF approval shortly after the July meetings.

An international banker involved in talks on securing new loans for Vietnam but who asked not to be identified said be considered the speed of the reforms "amazing."

Suharto quashes rumours

By John Murray Brown in Jakarta

PRESIDENT Snbarto, Indonesia's 68-year-old leader, moved to quash growing public speculation this week that he may step down at the end of his current fifth term in 1993.

In unprepared remarks before a recent cabinet meeting, President Snharto attacked the Indonesian press for sensationalising the succession issue. He said the next session of the People's Consultative Assembly in 1993 would decide the matter.

The President went further in warning his ministers not to be dragged into the debate, which be said merely confused the public.

Since seizing power after a failed communist coup in the mid 1960s, President Suharto has stood unopposed in all four elections in the largely handpicked Assembly.

WORLD TRADE NEWS

US gives Japan July deadline in telecoms row

By Peter Riddell in Washington

THE US has warned Japan it has until July 10 to sort out a dispute over access to its domestic telecommunications market, or else face steps leading to retaliation.

The Bush administration said five weeks ago it would consider sanctions against Japan over an alleged breach of a telecommunications pact under which Motorola claimed unfair restrictions in its access to the Japanese third-party mobile radio and cellular phone market.

Such an early deadline suggests the US wants to resolve the issue quickly before dealing with other issues raised by the naming of certain Japanese trading practices as unfair under the Super 301 provision of last year's Omnibus Trade Act.

The US and Japan will start talks next week on the US initiative to remove structural rigidities in the Japanese economy restricting imports into the country.

Mrs Carla Hills, US Trade Representative, yesterday told the House Way and Means international trade subcommittee that talks would begin at sub-Cabinet (official) level next week about Japanese structural impediments to trade.

As part of the general announcement on the Super 301 decision two weeks ago, the US said it wanted to discuss various structural problems in the Japanese economy such as its distribution system, group boycotts and other anti-competitive practices.

In her testimony, Mrs Hills said that while Japan has objected to other US trade complaints under Super 301, Japanese officials have been willing to talk about these complaints outside the framework of the Super 301 action.

US wants subsidy rules in trade-in-services pact

By William Dullforce in Geneva

THE US wants rules for export subsidies to construction and engineering companies to be included in any international agreement on the liberalisation of trade in services.

Mr Richard Self, US chief negotiator on services, said US contractors, which receive no export credit cover, were at a disadvantage in competing for projects with foreign companies which could count on subsidies even to cover their bidding costs.

The issue is sensitive since European and other countries' contractors rely heavily on government-backed financing when competing for major jobs abroad.

The US position was one of several outlined in Geneva over the past four days as negotiators started to test the applicability to individual services sectors of the underlying principles agreed by trade ministers in December at the mid-term review of the General Agreement on Tariffs and Trade's Uruguay Round.

This week's talks have focused on telecommunications as well as construction services. An important development has been the general acceptance that the cross-border mobility of labour and capital has to form part of the discussion.

Developing countries see a competitive advantage for their construction and other low-skill, low-wage industries, if they can secure an understanding on the movement of their workers to industrial countries. These now appear to be ready at least to negotiate terms on which contractors from low-wage countries may import labour.

In talks on telecommunications, a consensus appears to be emerging to concentrate initially on the liberalisation of value-added services, such as electronic mail, and on rights of access to networks.

Italian raid nets 'fake' Caterpillar spare parts

By Nick Garnett

ITALIAN police armed with search warrants have raided two Italian parts distribution companies as part of an investigation into the sale of counterfeit parts for equipment made by Caterpillar, the US manufacturer of construction machinery.

The raid on the companies, both of which are based in the Bologna area, follows the discovery of counterfeit parts by Caterpillar officials at the end of last year.

Caterpillar said yesterday that judges were expected to issue an indictment against the two Italian companies alleging that they sold components which illegally carried Caterpillar's name and trademark.

Counterfeit parts were found at both companies, Caterpillar added, and the police were continuing criminal investigations based on documents found at the companies.

The components involved are said to have included air, oil and fuel filters and diesel injector nozzles. They were packaged for sale as genuine Cat parts.

Caterpillar, the world's largest manufacturer of earthmoving machinery, has undertaken a number of investigations recently into the circulation of fake parts.

It currently has suits pending against companies in Brazil, Jordan and Malaysia.

Most of the companies involved in these cases are believed to be both manufacturers and distributors of counterfeit components.

Caterpillar filed a suit against a company in the US five years ago concerning counterfeit fuel nozzles but settled the case out of court.

It has been angered by the latest case in Italy.

"When customers think they are getting Cat quality but instead are paying for a shoddy substitute, their engine and machine performance, and our reputation, suffer," said Mr Rod Page, managing director of Caterpillar's overseas operations.

"We will be even more aggressive in searching out and prosecuting any such activity."

How Turkey forges powerful partnerships

Jim Bodgener in Ankara on the Ozal government's new industrial collaboration

A SERIES of major hydro-electric dams are the latest project deals in Turkey to reach preliminary agreement on the basis of the "build-operate-transfer" (BOT) franchise model developed by the government of Prime Minister Turgut Ozal.

Preliminary agreements already reached for 25 hydro-projects, with 17 in the pipeline, will bring foreign exchange inflows totalling \$2.5bn (£1.5bn), he said recently.

The 25 dams will have a total installed capacity of 1,945 MW, and will generate an annual 6,500 kWh, according to a senior official of the Energy & Natural Resources Ministry. Other agreements are pending – overall, 67 companies have applied for 88 projects.

The main agreements reached this year with foreign-led consortia are:

- A project valued at about DM580m (£181m) in the Of-Baltaci river basin proposed by the local group Mapa with Norendel of Norway;
- A \$200m scheme for the construction of a 120 metre-high dam and 210 MW powerhouse at Konaktepe on the Munzur river in Tunçeli Province. The BOT consortium is formed from West Germany's Bilfinger and Berger with Noell. Stone & Webster of the US, Austria's Elin Union, and the local company Soyak.
- A 672 MW dam planned on the Euphrates river at Birecik, expected to cost DM1.27bn. The consortium is formed from West Germany's Philipp Holzmann and Sulzer-Escher Wyss, Belgium's ACEC Energie, and the local group Gama.

But to date, no final contract has been signed for a major BOT hydro-electric scheme – nor has it for any of the large BOT projects heralded as bringing a new age in contracting in the developing world through private-sector franchising of the building and operating of major projects.

At a more advanced stage of negotiations are BOT contracts for the Ankara metro, a new terminal at Istanbul's Ataturk airport, and a 1,400 MW power station at Yumurtalik in the south-east. Syndication of commercial credits totalling \$240m for the latter \$1.5bn contract should be completed by mid-summer; negotiations for the \$400m Canadian government and export credit funding for the metro also reach a crucial stage in June.

However, five smaller hydro-projects have been the first BOT schemes on which construction has actually started, with one nearing completion – a 13 MW scheme on the river Caykay in Isparta province being built by a venture called Aksu.

But after two years, one of the earliest major BOT hydro-projects – a \$200m, 300 MW scheme near Kayseri – has still not progressed much further than a preliminary agreement. The Energy and Natural Resources Ministry has been waiting for a long time for a final feasibility study by a venture of Japan's Kumagai Gumi and the local Yuksel.

The hydro stations might seem more risky than thermal stations, in terms of economic stability and under the threat of drought.

Ministry officials privately admit that the Japanese financing authorities are holding back for alternative proof from the results of other schemes that the BOT model works or is believed to work for hydro-electric stations.

They also maintain there is no difference between the BOT models for hydro and thermal power stations – except that the thermal stations will be located in free trade zones, where the proceeds of power sales will be in foreign currency.

But security for the foreign contractor and financier – which to a large extent, means export credit agencies – in the BOT model comes from substituting a treasury repayment guarantee with a guaranteed minimum of power sales to the state-owned Turkish Electricity Board (TEK). The latter is also normally a large shareholder in the BOT companies set up to finance, build and operate such projects.

The hydro stations, with their incomes in Turkish lira and with output dependent on fluctuating river volumes, might seem more risky propositions than the thermal stations burning imported coal, both in terms of political and economic stability, and under the threat of drought. But Turkish officials remain confident those fears can be allayed. For example, Turkish lira returns can be indexed to foreign currencies. The risk of drought can be countered either by adjusting tariffs or through direct compensation, depending on the drought's severity.

In addition, a net dividend will be paid on the equity of the BOT company to the members of the consortium. This means proceeds will be calculated on a cost-plus basis. That in turn, including yearly instalments to pay back equity, will be reflected in electricity tariffs.

In fact, the BOT hydro companies will get an added bonus, because the equity instalments will continue at the same rate during payback at the end of the operating period, even though the amount of equity outstanding to be repaid is diminishing.

The plants will then be handed over to the government – after a total operating period of 15 years, for example, for the Konaktepe scheme, and 20 years for the larger Birecik project.

BAe wins \$500m order for 100 Jetstream airliners

By Michael Donne in Paris

BRITISH Aerospace has won a \$500m order for up to 100 of its Jetstream twin turbo propeller commuter airliners from AMR Eagle, the US regional airline partner of American Airlines.

The airline is buying 25 of the Super 31 version of the Jetstream, with an option on a further 25, and is placing an option for 50 of the enlarged version, the Jetstream 41. The Jetstream Super 31 seats 19 passengers, while the enlarged version seats up to 29 passengers.

These new orders bring the total of Jetstream aircraft sold by British Aerospace to date to over 300. The order confirms the recent British Aerospace decision to launch the enlarged version of the aircraft, and further ensures production at the Prestwick, Scotland, factory of British Aerospace.

It was also disclosed at the Paris Air Show yesterday that Rolls-Royce is studying the development of a new jet engine for short-haul airliners and business aircraft, in conjunction with the Allison Gas Turbine Division of General Motors of the US.

Designated the RB-580, the engine will have an initial thrust of 7,000 lbs, with potential growth to over 12,000 lbs.

This means that it will have a broad range of potential applications for small jet airliners seating up to between 50 and 80 passengers.

A memorandum of understanding signed between Rolls-Royce and Allison provides for Rolls-Royce to be the prime contractor and also to become responsible for the design and development of the engine, although it will use much of the advanced technology in small aero-engines already developed by Allison in the US.

Daishowa bid to beat 'Greenie' opposition

THE Daishowa paper manufacturing group, in a bid to overcome local environmental concerns, may bleach in Japan the output from two A\$1bn pulp mill projects it is considering for Australia, **Chris Sherwell reports from Sydney.**

The Japanese company, one of the world's largest paper making groups, runs a wood-chipping export operation in southern New South Wales – itself a target of attacks by local "Greenies".

But it is conducting a pre-feasibility study for a pulp mill in northern New South Wales. It has also responded to a separate call from the Tasmanian government for expressions of interest in another mill.

The Canberra government would prefer the whole process to be conducted in Australia, if acceptable environmental guidelines can be agreed. But that remains the problem.

Ministers 'must decide soon on Kemp Report'

By Stephanie Gray

MINISTERS need to decide quickly on radical changes proposed for the Export Credits Guarantee Department contained in an official report published earlier this week, according to Mr Nigel Bovingdon, managing director of the Credit Insurance Association.

The report, by Mr Robert Kemp, a former ECGD director, on the authority of Lord Young, Trade and Industry Secretary, recommends that the department's Cardiff-based insurance division be hived off to put it in a better position to compete in the export credit insurance sector after 1992.

The Cardiff office provides commercial risk cover for short-term export credits, mostly to industrial countries, whereas the department's London operation is concerned with insuring long-term credits on capital goods exports, largely to the Third World.

Mr Kemp's report says the Cardiff company would initially be owned by the state but, within four or five years, should be ready to accept private sector capital.

Lord Young hopes to have decided on the recommendations in the next four months, a delay which Mr Bovingdon calls "verging on procrastination".

While he agrees broadly with Mr Kemp's recommendations, he argues that ministers need to decide in four or five weeks, and that a joint stock company be set up in two rather than the four-to-five years suggested in the report.

"The market wants a packaging of covers. If Cardiff doesn't get its act together, the big (private) companies like Trade Indemnity, American International Underwriters and Pan Financial will get the business," he says.

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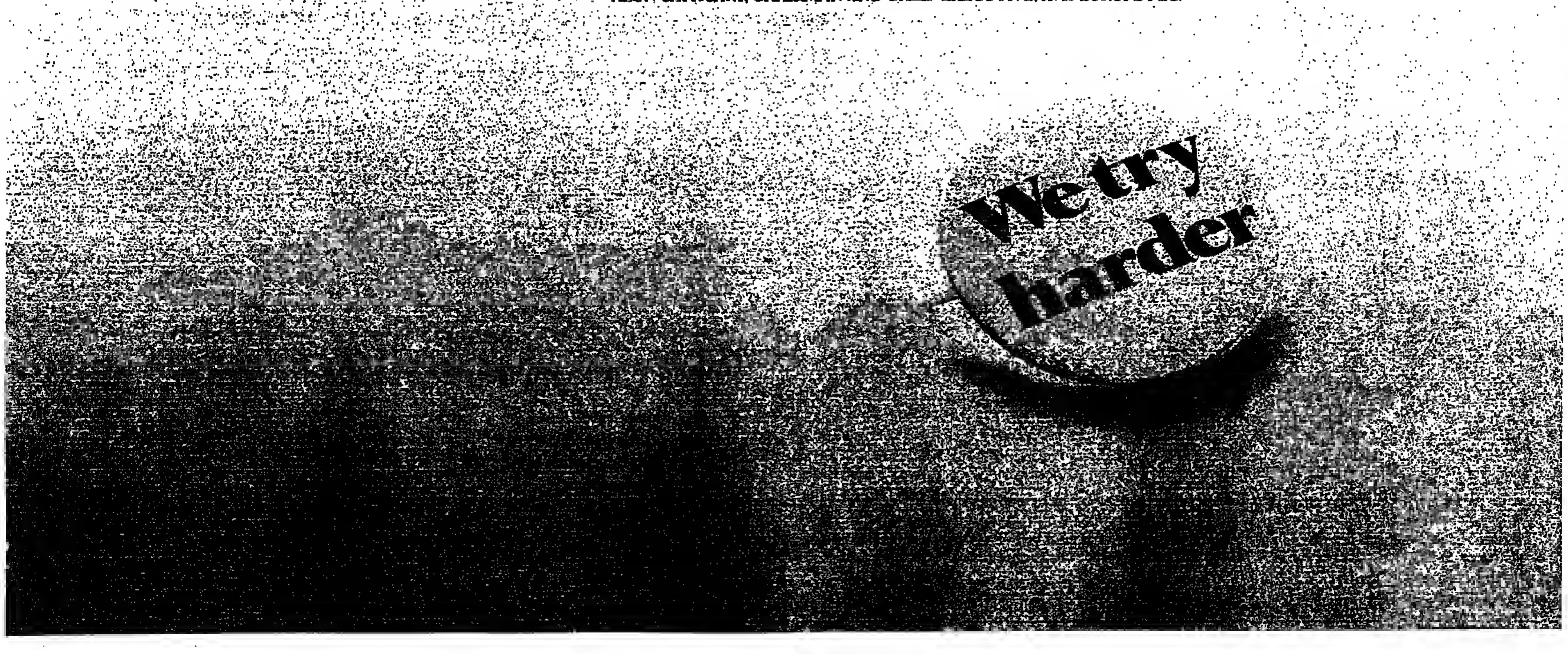

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UK NEWS

CBI/FT DISTRIBUTIVE TRADES SURVEY

Retail sales bounce back to highest since November

By Ralph Atkins, Economics Staff

GROWTH IN UK retail sales rebounded last month, despite high interest rates, to the highest level since November, according to a survey published yesterday.

The Confederation of British Industry/Financial Times distributive trades survey showed that decelerating sales growth at the start of the year was reversed in May. It could reflect consumers' readjusting their spending behaviour after the effects of higher mortgage rates have worked through.

However, the CBI said the survey continued to provided firm evidence of a slowing in demand. Last month's exceptionally good weather may have encouraged shoppers, possibly disguising the underlying trend.

Mr Nigel Whittaker, chairman of the survey panel, said: "Retailers selling essential and inexpensive goods have continued to fare relatively well. . . .It is discretionary items – furniture and electrical goods and off-licence sales – which remain the most affected by weakened consumer demand."

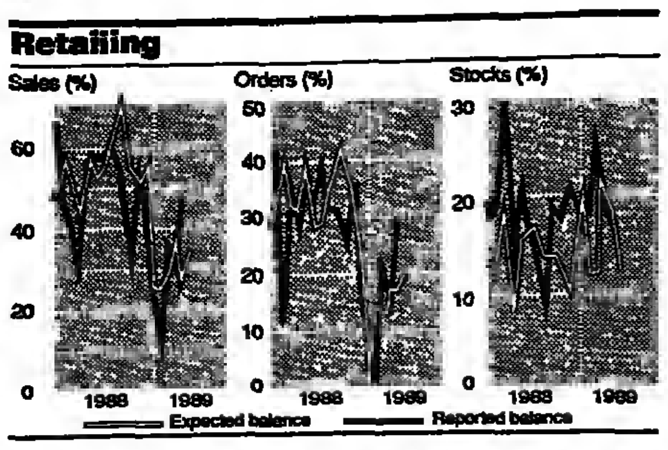
The survey showed growth in capital expenditure by retailers looks set to come to a near standstill, suggesting they remain glum about the long-term outlook. However, expectations about the overall business situation in the next three months recovered slightly.

Department of Trade and Industry figures for retail sales volumes in May are published on Monday. The average of London forecasts is for a small rise compared with April after a 1.4 per cent fall in the previous month.

The CBI/FT survey was conducted between May 15 and June 2, a period that included the one point rise in base rates to 14 per cent.

It showed motor traders' sales volumes in May were lower than a year earlier and are expected in remain weak in June. Among wholesalers, however, growth in sales volumes picked up in May.

The results show a slowing in import growth as a percentage of retailers' deliveries from suppliers. There was also a moderation in growth in retailers' selling prices, which will help contain inflation.



BT in talks with Alcatel on teletext system

By Terry Dodsworth, Industrial Editor

ALCATEL, the French telecommunications equipment group, is discussing plans for the introduction of the French-designed Minitel teletext system by British Telecom in the UK.

Mr Jean-Michel Lejosne, managing director of Alcatel Business Systems in the UK, said yesterday that BT was "very interested" in the product, and might be close to making a final decision about it.

According to BT, a decision was not imminent, although the company confirmed that it was interested in the Minitel technology.

The Minitel system allows subscribers to gain access to information over the telephone lines using a specially-designed keyboard and screen.

BT does not believe that a UK-based Minitel system would as a direct competitor to Prestel, which has developed a large data base and is used widely by travel agencies and estate agents. The attraction of launching the service would be in generating additional traffic over the telephone lines.

Lawson statement stems London disquiet

By Simon Holberton, Economics Staff

MR NIGEL LAWSON, the Chancellor of the Exchequer, stamped his authority on economic policy in Wednesday's parliamentary debate on the economy, analysts in the City of London said yesterday.

The City had been awash with rumours of a split between the Chancellor and the Prime Minister's advisers at No 10 Downing Street and that changes in monetary policy were being considered.

But Mr Lawson's robust performance in the House of Commons, where he dismissed a return to overfunding, the introduction of monetary base control or the imposition of credit controls, removed any doubt about who was in control, analysts said.

The Chancellor forcefully restated his view that the manipulation of short-term interest rates was the only workable policy to bear down on inflation. He also stood firm on his belief that the trade deficit would right itself.

Mr Peter Spencer, UK economist at Shearson Lehman Hutton, the US securities house, and an advocate of policy change said: "Most interestingly [his performance] shows just how strong his position is despite the problems of the past 18 months."

In London prices of both equities and UK Government securities, gilts, rallied strongly after a week of being in the doldrums. Gilt has been particularly depressed by suggestions that the Treasury would revert in over-funding, or not buy back as many gilts as are needed to counteract the effects of the Government's Budget surplus.

Mr John Shepperd, economist at Warburg Securities, the UK securities house, said Mr Lawson "made all the right noises" to allay the markets' current fears. But overfunding was not a dead issue for the gilts market: "He's dismissed it for now but it does not mean that it's fixed for all time."

Some analysts thought that despite the Chancellor's forthright presentation in the Commons his policy still left sterling vulnerable to selling pressure.

Mr Glenn Davies, economist at Credit Lyonnaise Gilts, said it was disappointing that Mr Lawson was not prepared to consider alternatives. "He has set the pound up by telling us that interest rates will rise if the pound falls."

Woolworth loses tax case on £11.4m Swiss loans

By Richard Waters

WOOLWORTH yesterday lost a court battle for tax relief on a £11.4m loss in a decision which has implications for many companies which borrow in foreign currencies.

The Law Lords ruled that Woolworth's loss, on Swiss franc loans taken out in 1971 and 1972, was a capital item rather than a revenue one, and so could not be set against the company's trading profits.

This ended a prolonged battle which has now seen the Inland Revenue's independent commissioners, the High Court, the Court of Appeal and the Law Lords overturn each others' decisions in succession.

A discussion paper issued this year could lead eventually to a change in law in this area. In the meantime, tax advisers said that the Woolworth decision was a step backwards for taxpayers.

Woolworth's £11.4m loss resulted from a fall in the value of sterling against Swiss francs over the five year period of the loans. The company claimed that the loans were not capital in nature.

Figures show British companies setting the pace for 1992

By James Buxton, Scottish Correspondent

LARGE BRITISH companies are ahead of their rivals on the continent in preparing for the planned completion of the single European market in 1992, Mr John Banham, director-general of the Confederation of British Industry, the employers' association, claimed yesterday.

He was presenting the results of a survey commissioned by the CBI which showed that three-quarters of the 200 companies surveyed by MORI, the opinion survey organisation, had taken at least some action to prepare for 1992.

A similar survey of 100 companies in continental Europe showed lower rates of action on 1992. Half of those surveyed in France and Spain had taken some action, a third in Italy and only one seventh in West Germany.

In Britain, 52 per cent of the companies had identified new groups of customers on the continent. Some 43 per cent were undertaking a strategic product review.

Forty-one per cent had formed some sort of alliance with another company in an EC member state. Two companies in five had looked at their distribution strategy, 28 per cent had considered relocation.

Shortage of skills was regarded as more important than problems of infrastructure in hindering British companies' efforts to meet the demands of 1992.

The survey was of British companies with an average turnover of about £50m, two-thirds in manufacturing and one-third in services.

The survey of companies on the continent showed that one-third were looking for a partner in the UK. Britain was generally the second choice as a preferred ally, with French companies looking first to West Germany and West German companies looking first to an alliance with another West German company.

Computer spending raised 3%

By Alan Cane

BRITISH companies spent an average of £2.8m on computer technology last year and are predicting they will spend over £3m in 1989.

After inflation, the real rise in spending will be only 3 per cent, but the figures, taken from the annual Price Waterhouse information technology review published yesterday, suggest that the cap on investment in information technology has been lifted.

It goes on to question whether the 1988 upturn and the predicted increase for 1989 represent a return to the days when companies constantly ran short of computer capacity and were forced to spend money to make up the deficit, or whether the new controls are working and the increased spend reflects value for money.

The Price Waterhouse survey, now in its tenth year, collates the views of some 750 data processing managers across UK industry.

The survey shows also that the question of how best to integrate information technology strategy planning with business strategy planning is now the data processing manager's greatest headache, displacing the problem of bringing computer projects in on time and budget.

Sharp rise in tourist figures

By David Churchill

THE BUOYANCY of Britain's tourist industry was confirmed yesterday by official figures showing a sharp increase in the number of overseas visitors to Britain in the first quarter of this year.

The Department of Employment said that overseas visitor numbers in the first quarter of this year rose by 20 per cent to 3.3m in comparison with the same period last year.

In March the increase was 38 per cent, to 1.3m, in comparison with March last year.

Mr John Lee, Minister for Tourism, said yesterday that "while some of the increase in overseas visitors was undoubtedly due to heavy traffic over an early Easter, I am optimistic about the underlying trend."

Mr Duncan Black, chairman of the British Tourist Authority, said that "this very sound start means Britain is poised for an excellent tourism year."

In the first quarter of this year, the number of British residents going abroad increased by 15 per cent to 5.2m.

The balance of trade on travel, however, is still in deficit. Spending overseas by British residents in the first three months of this year totalled £1.515bn.

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UK NEWS

Thousands defy union in wildcat ports strike

By Jimmy Burns and Fiona Thompson

BRITAIN'S ports were hit by unofficial strike action yesterday as thousands of dockers walked out in protest at Thursday's court order banning the Transport and General Workers' Union from implementing a national docks strike.

Meanwhile, port employers indicated last night that they would await the outcome of mass meetings planned around the country between today and Sunday before deciding whether to take further legal action against the main strike leaders.

The docks dispute has reached a crucial stage in recent weeks, following the Government's decision in April to abolish the Dock Labour Scheme which regulates terms and conditions of employment in most of Britain's ports.

Some employers have indicated that they are prepared to seek High Court injunctions against shop stewards who in some ports openly instigated yesterday's action and then sue them for damages. But others are reluctant to take a move which they believe might unnecessarily escalate the dispute.

Sharp divisions within the TGWU over what steps to take next in the docks dispute surfaced yesterday as a quarter of Britain's 9,400 registered dockers joinsd in the unofficial action. They ignored a plea from Mr Ron Todd, the union's general secretary, to continue working normally and await the outcome of the union's appeal next week to the House of Lords, Britain's highest court of appeal.

In Tilbury, outside London and Britain's largest port, 680 dockers in the grain and conventional cargo sections walked out yesterday, and are expected to be followed today by another 300 dockers from the main container terminal.

TGWU shop stewards, who on Thursday angrily walked out of the Court of Appeal, said they could see little alternative but to carry on with an indefinite, unofficial strike against the abolition of the Dock Labour Scheme.

Tilbury port handles 28m tonnes of cargo annually, equivalent to more than 18 per cent of the total tonnage which passes through the 64 ports registered under the scheme. Those ports also handle 70 per cent of the country's overseas trade. The scheme ensures that manning levels can be reduced only through voluntary redundancy. Dockers who are laid off must be found alternative employment.

Liverpool was the second-largest port affected by yesterday's unofficial action where 1,000 dockers walked out after a strong attack on the injunction by local shop stewards. Liverpool handles 7.3m tonnes of cargo annually.

The National Association of Port Employers said last night that the majority of port employers had expected trouble today and had taken steps to protect their customers from the disruptions. During the last week, cargo has been increasingly diverted to foreign ports for trans-shipment, with trade also moving in and out of ports not covered by the scheme.

Cautious Todd ducks employers' barbs

By Jimmy Burns, Labour staff

EMPLOYERS seeking an easy target in the dock dispute are hard-pressed to know what to do when it comes to Mr Ron Todd, general secretary of the TGWU transport union.

Mr Todd may be a committed trade unionist but he is no Arthur Scargill (the controversial leader of the National Union of Mineworkers). The TGWU leader's defence of the blue book in the débacle over Ford's plans for a new plant in Dundee and his no less passionate attack last year on the modernising tendencies of Mr Kinnock's Labour Party have earned him something of a reputation as an unreconstructed trade unionist. But he is not a political fundamentalist, and would never call out the barricades in an attempt to overturn the Government.

Some employers predicted that the Government's decision on April 6 to abolish the Dock Labour Scheme would have Mr Todd jumping at the chance to call dockers out. Instead, he clashed with dockers' leaders and insisted – in a position confirmed yesterday – that no action should be taken until legal proceedings had been exhausted and employers had been given another chance to agree to negotiate a new national agreement.

Mr Todd has always insisted that his call for talks is not a cynical ploy simply aimed at


Todd: by the book

escaping sequestration. He is thought to share the views of senior Labour Party officials that a legal docks strike cannot be won easily.

Yesterday's walk-out by dockers, in defiance of official union policy, has brought to the surface the difficulties Mr Todd faces in keeping a steady hand on the helm. The surprise Court of Appeal decision on Wednesday has the TGWU's union structure straining like a ship in turbulent seas.

The man most closely involved in the union hierarchy with the docks dispute, after Mr Todd, is Mr John Connolly, the national docks secretary. Like his general secretary, Mr Connolly likes to abide by the rule book. His style is also untainted by the brashness of which some other union leaders are accused.

The problem for both men is that the Government has picked an emotionally-charged year in which to move against the Dock Labour Scheme. This year is the centenary anniversary of the Great Dock Strike which the British Labour Movement considers one of its most famous victories.

In 1889 East London dockers went out on strike and won improved pay and conditions. The dockers' union was formed soon afterwards, forming the core of the TGWU when it was created in 1922.

Many of the more militant dockers believe that the union has mistakenly put its trust in what they see essentially as government-backed legislation biased against trade unions.

Militancy is still at the heart of the dockers' movement. But voluntary redundancies since 1972 have cut the registered workforce from 41,000 to 9,400.

The Government's current legislation banning sympathy action and mass picketing may also mitigate against a lengthy and successful docks strike.

Not least of Mr Todd's problems is the fact that time is running out. Under trade union legislation the TGWU's national docks strike ballot mandate expires in ons week's time. Beyond that, Mr Todd's bargaining position stands to be further weakened once the National Docks Scheme is finally removed from the statute books on July 15.

Timetable of the docks dispute

May 29 1985: National Association of Port Employers warns of risk of financial collapses unless talks with Governmant lead to removal of tha Dock Labour Scheme (DLS).
August 20 1985: Employers announce plans for rastructuring redundancy arrangements for dockers.
January 20 1988: Tory backbenchers step up campaign in support of abolition of DLS.
March 8 1988: John Connolly, TGWU national docks officer says any attempt to scrap tha DLS will be met with a national docks strike.
March 11 1988: Patrick Nicholls, Under Secretary for Employment stresses in the House of Commons that there are no plans to abolish or amend the DLS.
November 17 1988: Report by Centre for Policy Studies, the free-market research group, predicts that any national docks strike would be "short-lived" and would "crumble."
March 18 1989: Mr Ken Cooper, chairman of NAPE says he believes majority of registered dock workers realise that the DLS is "irrelevant."
April 6 1989: Government announces it is abolishing the DLS.
April 7 1989 : More than 2,000 dockers in ports around Britain staga spontaneous walk-outs.
April 10 1989: Dockers' leaders pull back from calling a national strike ballot to consider in more detail the legal, financial and tactical implications of a stoppage.
April 11 1989: Dockers' leaders back strike ballot. But Ron Todd, TGWU general secretary, urges negotiations with port employers.
April 12 1989: Neil Kinnock, Labour Party leader, backs call for negotiations.
April 14 1989: TGWU national executive agrees to seek talks.
April 18 1989: Talks break down after port employers refuse to negotiate a new national agreement.
April 19 1989: Port employers refuse to take the dispute to Acas, the conciliation service.
April 20 1989: TGWU announces strika ballot.
May 8 1989: Port employers begin legal proceedings to have threatened strike declared unlawful.
May 12 1989: TGWU says it will hold off from any strike until legal proceedings end.
May 19 1989: Results of ballot show registered dockers 3-1 in favour of strike.
May 24 1989: Todd says prepared to make concessions if port amployers agree to a new national accord.
May 27 1989: High Court judge says existence of major differanca between two sidas is "undanlable," and refuses port amployars' application for an injunction to stop the strika.
June 7 1989: Court of Appeal grants port amployers an injunction banning TGWU from carrying out national strike.
June 8 1989: Unofficial action in Liverpool, Bristol, Lowestoft and London.

Plan to help syndicate rejected

By Nick Bunker

LLOYD'S of London yesterday brushed aside pleas to ease the plight of 1600 members of the Outhwaite marine syndicate who face insurance losses of at least £304m.

Mr Alan Lord, Lloyd's chief executive, ths plan to limit their liabilities would have broken the rule that market members are liable for their own losses.

In the Outhwaite affair, 1600 people who belonged in 1982 to syndicate 317/661 face huge asbestos and pollution-related claims from the US.

Mr Peter Nutting, chairman of a committee representing 500 Outhwaite members, said he will meet legal counsel to see if the Names have grounds to refuse to pay £64m cash which Lloyd's says they must pay to the syndicate's reserves.

Mr Nutting said: "I am just so bored with all the pompous prattle abont unlimited personal liability."

"Insurance is a risk business," Mr Lord said. "If we cap this loss, then the principles of each for himself, of unlimited liability, will have gone by the board."

Lloyd's said eight independent outsiders who sit on the council will help resolve disputes involving the Outhwaite syndicate.

Shorts aid awaits EC approval

By William Dawkins in Brussels

THE Government will seek European Commission clearance in the next few days for £780m of state aid to Short Brothers, the state-owned aircraft maker.

Belfast-based Shorts has been offered the subsidy in two equal £390m slabs, a debt write-off and a grant, but cannot legally receive it until the Brussels authorities agree.

The aid is part of the deal under which Bombardier Group, the Canadian aerospace and transport company, is buying Shorts for £30m.

Brussels cleared a three-month £390m governmsnt bridging loan for Shorts last March to keep it solvent while restructuring plans were prepared.

The UK Government is now planning to write off that debt and inject another £390m for research and development. UK officials are finalising their formal notification to Brussels.

The Commission has the power to block any state aids likely to give beneficiaries an unfair advantage over European competitors.

Officials said that in this case they would be taking other criteria into account, such as the strategic importance of the aircraft industry and high unemployment in Northern Ireland, where Shorts is the largest manufacturing employer, with a workforce of 7,700.

The Commission agreed last March to let the West German Government provide up to DM3.9bn (£1.2bn) to help Daimler-Benz, the country's biggest car maker, buy a stake in the Messerschmitt-Bölkow-Blohm (MBB) aerospace group. MBB's participation in the Airbus consortium, of which Shorts is not a member, was an important factor in the Commission's decision.

TV franchises to go to highest bidder

By Raymond Snoddy

THE GOVERNMENT has decided to push ahead with highest bid auctions for future commercial television franchises despite widespread opposition from the British television industry.

The decision was taken earlier this week by a Cabinet committee chaired by Prime Minister Margaret Thatcher.

The acceptance of highest bids for the 10-year licences, which will run from 1993, will be combined with a strong "quality threshold" that potential bidders will have to cross before being allowed to take part in the auction.

In the first round, applicants will have to spell out their proposed programme schedules in detail and explain how they are going to be produced.

The Government decision will come as a severe shock to Mr George Russell, the recently appointed chairman of the Independent Broadcasting Anthority, who has argued strenuously against straight highest bid auctions for independent television (ITV) franchises.

The decision will also shock most of the UK's 16 ITV companies, which have consistently argued that auctions to the highest bidder would damage greatly both the quality and range of programmes.

● SES, the Luxembourg company behind the Astra television satellite, announced yesterday it plans to launch a second 16-channel television satellite in October 1990.

That could mean that owners of Astra satellite TV dishes in the UK and other parts of Western Europe would be able to receive up to 32 television channels.

Backers of SES include Luxembourg financial institutions and three British ITV companies, led by Thames Television.

Government go-ahead for controversial development

By Paul Cheeseright, Property Correspondent

MR NICHOLAS RIDLEY, the Environment Secretary, yesterday sought to end London's most bitterly contested planning dispute for a generation when he gave permission for a new office building in the heart of the City of London's conservation area.

The decision gave Mr Peter Palumbo, the private developer and since last April chairman of the Arts Council, what he has been seeking for 31 years. He has the right to demolish 13 Victorian buildings, eight of them listed, and replace them with new offices designed by James Stirling.

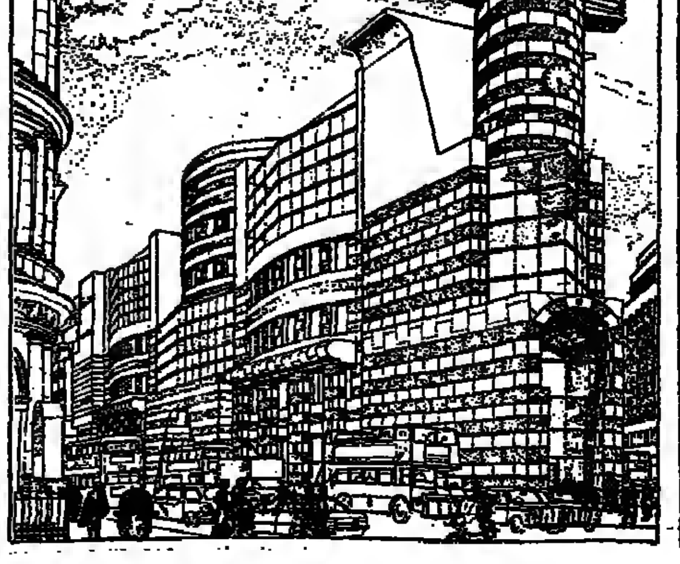
The site, called Number One Poultry, is on Mansion House Square, the historic centre of the City, close to the Bank of England and facing the Royal Exchange.

Prince Charles called Mr Palumbo's first plans for the site "a giant glass stump" and the Stirling design "a 1930s wireless".

Argument has ranged over the respective merits of conservation and development, from the criteria for pulling down listed buildings to the quality of 20th century architecture.

English Heritage, the state organisation responsible for the care of historic buildings and monuments said it was a sad day when modern architects have to destroy the good work of their predecessors.

SAVE Britain's Heritage, the pressure group defending threstened buildings, has called its lawyers into see whether there is case to take to the High Court on the grounds that the decision might flout the City of London's statutory planning policy.



In Brief

£200m deal to provide power for Chunnel

Balfour Beatty Power, a subsidiary of BICC, and its French joint venture partner, Spie Batignolles have been awarded the £200m contract to provide electric power systems for the Channel Tunnel.

BICC said that the most of the equipment would be made by the two companies, though some of it would be sub-contracted to other suppliers. Balfour Beatty and Spie Batignolles have an equal share in the contract.

Vauxhall to spend £50m

Vauxhall, UK subsidiary of General Motors of the US, is to spend about £50m to redevelop a large part of its main Luton site over the next two years.

Lead free petrol gaining

Lead free petrol is continuing to take a greater share of the motor spirit market, the Department of Energy said. In May, lead-free brands rose to 20 per cent of petrol sales, from 15 per cent in April.

BBC strike warning

Broadcasting union leaders warned of escalating industrial action at the BBC, after the unions staged a seven-hour strike from 5 pm in protest at the corporation's imposition of a 7 per cent pay offer.

SIB to tighten system

The Securities and Investments Board, the chief investor protection agency, is to overhaul the system for handling complaints from the public about investment firms and regulatory bodies.

240 jobs cut

Standard Chartered, the UK banking group, confirmed that the loss of 240 jobs in its London head office as part of a management restructuring exercise.

Dash dies aged 82

Jack Dash, the London communist and orator famous for his leading role in the strikes which plagued the capital's docks between 1945 and 1970, has died aged 82.

FT LAW REPORTS

Partner in Jersey firm is exempt UK tax liability

PADMORE v INLAND REVENUE COMMISSIONERS
Court of Appeal (Lord Justice Fox, Lord Justice Stocker and Lord Justice Staughton): May 19 1989

A UK resident who is a partner in a Jersey-controlled firm is not subject to UK tax on his share of the partnership profits.

The Court of Appeal so held when dismissing an appeal by the Inland Revenue from Mr Justice Peter Gibson's decision that Mr Maurice Padmore, a partner in Computer Patent Annuities ("CPA"), was not subject to tax on his share of partnership profits.

Paragraph 3(2) of the United Kingdom/Jersey Double Taxation Arrangement 1952 (SI 1952 1216) provides: "The industrial or commercial profits of a Jersey enterprise shall not be subject to UK tax unless the enterprise is sngaged in trade or business in the UK through a permanent establishment situated there".

LORD JUSTICE FOX said that Mr Padmore claimed relief from income tax on his share of the profits of CPA, a partnership providing a world-wide patent renewal service.

CPA was established in 1969 in Jersey. There were abont 140 partners. The majority were resident in the UK and were partners or employees in firms of patent agents.

CPA's business had always been carried on in Jersey. It was not disputed that its control and management were carried on outside the UK.

Mr Padmore had been a CPA partner since February 1976. He was resident in the UK. His claim for relief was based on paragraph 3(2) of the UK/Jersey Double Taxation Arrangement 1952, which provided that the profits of "a Jersey enterprise" were not subject to UK tax unless it was engaged in business in the UK through a permanent establishment.

Paragraph 2(1)(h) of the Arrangement defined "Jersey enterprise" as "an industrial or commercial enterprise or undertaking carried on by a resident of Jersey". By paragraph 2(1)(f) a "resident of Jersey" meant any "person" resident in Jersey for Jersey tax purposes, and not resident in the UK for UK tax purposes. Pâragraph 2(1)(d) provided that "person" included "any body of persons, corporate or not corporate".

Mr Padmore's claim for relief was rejected by the Revenue. A special commissioner dismissed his appeal. He appealed successfully to Mr Justice Peter Gibson. The Crown now appealed.

In English law a partnership was not a legal entity (see *Sadler v Whiteman [1910] 1 KB 868*). It was not disputed that Jersey law also treated a partnership as not having a *legal persona*.

With regard to taxation law, there was no substantial difference between the UK and Jerssy. Partnerships were assessed to trading profits on the partners jointly and the tax was separate from any other tax chargeable to them (see section 152 of the Income and Corporation Taxes Act 1970 and article 74(1) of the Income Tax (Jersey) Law 1961 as amended).

By section 153(1) of the 1970 Act, where the trade or business was controlled abroad it was deemed to be carried on by persons resident outside the UK, and the partnership was deemed to reside outside the UK even though some partners were resident in the UK and some of its trading went on inside the UK.

There was a distinction between (1)UK tax liability of a business controlled and managed abroad receiving profits from UK activities, which depended on whether the foreign undertaking conducted a business in the UK, and (2)the liability of a UK resident who received income from a business carried on abroad, which did not depend on whether the foreign undertaking carried on business in the UK.

It was the Crown's case that article 3(2) of the Arrangement was concerned solely with liability under (1) and had no application where profits were outside the ambit of UK tax, so there was no subject matter to which the article 3(2) exemption could apply.

Mr Padmore contended that his share of the profits fell within "the industrial or commercial profits of a Jersey enterprise".

The first issue was whether CPA was a "person" or "body of persons" within the Arrangement.

The Crown accepted that CPA carried on an industrial or commercial undertaking and that the profits were commercial profits, but it asserted that CPA was not a person or body of persons.

It was submitted for Mr Padmore that a partnership was a body of persons and was therefore within the definition in article 2(1)(d).

The Crown contended that "body of persons" was a term of art in UK law and was defined *in section 526(5) of the* 1970 Act as "any body politic corporate or collegiate and any company, fraternity, fellowship and society of persons, whether corporate or not corporate". The Jersey Law had a provision in the same terms.

A partnership could not be brought within any of the groups specified in the definition. However, the definition was not applicable.

If the draftsman of the Arrangement was assuming that the statutory definition of "body of persons" would apply, there was no reason why he should have added "corporate or not corporate" in article 2(1)(d). Its inclusion had no purpose if the statutory definition applied. It indictated a contrary intention.

A partnership was, as a matter of ordinary use of English, plainly a body of persons. The language used by the draftsman did not indicate he was intending a different meaning.

It was highly improbable that so common a vehicle for commercial activity as a partnership should have been intended to be excluded from an Arrangement which was dealing with the taxation of profits of a commercial enterprise and was not restricted to companies.

The next question was whether CPA was a body of persons which was resident in Jersey for Jersey tax purposes, but not resident in the UK for UK tax purposes.

If a partnership was within the Arrangement it was unlikely the Arrangement did not apply to partnerships made up of "mixed" residence. It seemed inherently unlikely that the only partnerships which were intended to be "Jersey industrial or commercial enterprises" were those with partners drawn from the small population of Jersey.

Section 153(2) of the 1970 Act and article 76(2) of the Jersey Law imposed taxation in a particular manner by reference to residence abroad, if management and control were abroad.

The reasonable inference was that Jersey law did attach tax consequences to the residence of a partnership, and that a partnership which was managed and controlled in Jersey was resident there for Jersey tax law purposes.

The remaining question was whether article 3(2) applied to a UK resident partner's share in the profits of a Jersey controlled partnership.

The judge held that it did.

The Crown contended that article 3(2) was concerned solely with exempting the profits of the "Jersey enterprise" from UK tax, and had nothing to do with the share of profits received by a UK partner. It said the article related to "*the* industrial or commercial profits of a Jersey enterprise", which meant the *whole* of the profits, not a share.

The appeal was dismissed.

LORD JUSTICE STOCKER agreed.

LORD JUSTICE STAUGHTON also agreeing said that in the case of a domestic partnership all partners could claim the reliefs appropriate to their personal circumstances. That demonstrated that although tax was assessed in the name of a partnership, it was in truth charged on the individuals who comprised it.

It followed that article 3(2) of the Arrangement, when it provided that the profits of a Jersey enterprise should be exempt from UK tax, meant that the members of the partnership should be exempt from the liability which would otherwise fall on them.

That must apply to Mr Padmore as it did to the non-resident members.

Rachel Davies
Barrister

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985 = 100); engineering orders (£ billion); retail sales volume (1985 = 100);retail sales value (1985 = 100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	107.9	110.8	21.3	117.8	116.7	2,495	249.9
2nd qtr	108.4	112.6	22.0	118.6	122.7	2,364	256.2
3rd qtr.	110.7	116.0	22.7	120.2	128.9	2,226	244.3
4th qtr.	110.7	117.3	23.6	120.9	136.4	2,161	244.9
July	110.5	116.6	21.7	120.7	129.7	2,287	249.7
August	110.5	115.9	22.6	120.4	128.7	2,226	242.8
September	111.0	116.5	22.8	119.8	124.9	2,192	248.3
October	110.6	116.7	22.4	121.0	132.6	2,158	251.2
November	111.2	117.8	22.6	120.7	145.2	2,106	240.2
December	110.5	117.8	22.7	121.1	181.9	2,037	238.3
1989							
1st qtr.	108.2	118.1	23.1	121.4	125.4	1,982	228.7
January	109.1	118.1	22.8	119.6	124.3	1,988	229.2
February	108.9	117.8	22.9	122.1	123.8	1,940	226.1
March	109.6	118.6	23.8	122.6	127.4	1,917	222.9
April				120.9	131.9	1,896	222.1

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985 = 100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	109.6	106.3	107.8	107.8	117.8	105.8	20.2
2nd qtr	111.5	108.9	106.7	110.2	116.3	101.8	22.3
3rd qtr	113.7	114.3	108.1	115.8	123.7	102.2	20.4
4th qtr	114.2	116.8	107.1	116.7	124.7	102.4	18.4
June	111.0	111.9	106.7	112.8	118.0	101.8	23.5
July	112.8	113.0	108.3	114.0	124.8	104.0	20.8
August	113.1	114.3	108.1	115.8	126.0	102.0	20.5
Sept.	114.3	116.5	108.8	116.8	120.4	101.8	20.1
October	113.4	116.1	107.4	117.0	128.0	101.0	19.6
November	114.7	117.1	107.8	117.0	120.0	102.8	21.4
December	114.3	117.2	106.5	116.0	126.0	104.0	14.2
1989							
1st qtr.	115.2	116.2	104.2	115.9	127.9	102.2	17.9
January	114.8	118.2	104.2	116.0	134.0	102.0	18.8
February	114.9	116.0	103.9	116.0	126.8	102.0	18.6
March	115.6	116.5	104.5	116.0	121.0	103.0	14.4

EXTERNAL TRADE- Indices of export and import volume (1985 = 100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985 = 100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	106.2	119.8	-4,020	-3,081	+738	97.0	44.64
2nd qtr	111.4	127.7	-4,536	-2,744	+815	98.7	48.02
3rd qtr	109.3	133.7	-5,886	-3,436	+480	99.3	50.46
4th qtr.	106.4	135.0	-4,304	-5,493	+340	96.0	51.85
July	107.0	141.5	-2,588	-1,813	+119	98.8	48.83
August	106.8	127.9	-1,867	-905	+177	100.6	50.64
September	114.1	121.9	-1,478	-728	+184	99.1	50.46
October	103.7	130.6	-2,886	-2,362	+67	97.5	50.85
November	107.1	121.5	-1,695	-1,612	+132	97.5	61.04
December	108.1	139.8	-1,763	-1,400	+141	98.7	51.88
1989							
1st qtr.	110.8	140.7	-5,850	-4,359	+84	108.4	50.46
January	115.0	145.4	-2,001	-1,501	+185	108.4	51.71
February	104.1	138.2	-2,188	-1,880	-15	108.2	51.88
March	113.2	138.3	-1,677	-1,177	+112	108.5	50.46
April	108.4	143.5	-2,185	-1,655	+83	108.9	47.28
May							48.09

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
1st qtr.	5.2	20.8	20.8	+12,883	3,051	+986	8.50
2nd qtr	6.8	18.6	20.4	+16,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.9	22.7	+15,749	3,162	+1,882	11.50
4th qtr.	7.7	14.3	20.5	+13,270	3,168	+873	12.70
July	6.9	18.1	21.1	+8,152	1,362	+345	10.50
August	7.8	15.8	20.6	+3,372	1,178	+471	12.00
September	8.5	17.9	22.7	+5,658	621	+276	12.00
October	7.7	13.7	19.8	+4,222	1,563	+198	12.00
November	7.7	11.7	20.6	+3,780	786	+382	13.00
December	7.7	14.2	20.5	+8,209	219	+295	13.00
1989							
1st qtr.	6.7	13.6	21.2	+14,088	2,861	+810	13.00
January	7.9	11.8	21.3	+6,588	784	+236	13.00
February	6.6	13.6	22.2	+2,386	1,862	+251	13.00
March	6.2	13.9	21.2	+5,178	813	+330	13.00
April	5.7	10.1	20.6	+4,460	1,175	+313	13.00
May							14.00

INFLATION-Indices of earnings (1985 = 100); basic materials and fuels; wholesale prices of manufactured products (1985 = 100);retail prices and food prices (Jan 1987 = 100); Reuters commodity index (Sept 1931 = 100); trade weighted value of sterling (1975 = 100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	98.9	111.9	103.7	103.5	1,747	76.3
2nd qtr	124.8	97.8	113.0	105.2	104.8	1,817	77.8
3rd qtr.	127.8	98.0	113.9	106.6	104.7	1,882	75.9
4th qtr.	131.5	100.1	115.2	108.5	105.7	1,887	77.8
July	126.9	95.4	113.5	106.7	104.9	1,870	76.3
August	126.9	94.8	113.9	107.9	104.4	1,883	76.5
September	127.6	98.2	114.3	108.4	104.8	1,873	75.5
October	129.5	98.8	114.9	109.5	104.9	1,874	76.3
November	130.7	99.8	115.2	110.6	105.7	1,892	77.1
December	134.3	102.6	115.6	110.3	104.8	1,921	79.0
1989							
1st qtr.	134.0	102.7	116.8	111.7	107.8	1,874	97.1
January	133.3	104.3	116.4	111.0	107.4	1,882	97.8
February	133.8	101.9	116.3	111.9	107.7	1,954	97.4
March	135.0	102.3	117.9	112.3	108.3	1,882	95.9
April		100.8	117.9	114.5	108.5	2,016	96.8
May						2,010	94.3

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

MANAGEMENT

Car assembly

Why Volvo is planning to go back to the future

The Swedish group has again broken with current practice, reports Robert Taylor

Volvo claims that its new assembly plant at Uddevalla in south-west Sweden represents a breakthrough in auto manufacture that will shake up the world motor industry.

"We are saying farewell to the traditional assembly line," asserts the company's car division president, Roger Holtback. "I hope that one day in the future somebody will be able to stand here and say 'Henry Ford invented the assembly line but Volvo did away with it – in a profitable way'."

The company hopes that the Uddevalla plant, which started full production last August, will have proved itself within five years; for the moment, though, it can only hope, wait, and welcome admiring and incredulous visitors. At this point no profit target has been set but the company believes it will break even at Uddevalla in the early 1990s.

What Volvo is doing is to challenge many of the fundamental assumptions that have dominated managerial thought about mass production since the beginning of the century and return car manufacture to the made by hand in teams approach that existed before Henry Ford's assembly line method began in 1914.

Mass production for the car worker meant simple, repetitive and unskilled tasks to perform under strict time controls. "The car builders lost the holistic view of production," declares Holtback.

Volvo was a comparative latecomer to the Ford-style assembly line. Although the company was established in 1926, it was not until 1953 that the assembly line technique was introduced into its plants in Sweden and in the restive 1960s it produced high absenteeism and labour turnover without improved productivity.

As a result, in the early 1970s the company's new chief executive Pehr Gyllenhammar decided to try and move the production system away from the Ford assembly line approach by making the work more interesting and attractive.

The result was the Kalmar plant, opened in 1974 and based on a work team approach with computer-guided carriers bringing supplies to the decentralised assembly points. This has brought lower absenteeism and labour turnover and the plant now makes a profit.

Uddevalla is a genuine advance on the Kalmar system. In Holtback's words, it represents a return to the old pre-Ford method that enhances the role of the car worker as craftsman.

"Before 1914 auto workers were all-round, skilful mechanics who worked in small groups of six or seven and together they built an entire car in one and the same place," says Holtback. "Most of them were well-trained and experienced craftsmen, who felt professional pride and dignity and identified deeply with their work."

Holtback argues that the Uddevalla plant is going back to the "old well-proven system of apprentice and master craftsman" – but with a difference. It is utilising today's high technology in engineering and the computer sciences to "build the best foundation for creating true friendship and co-operation."

"It is people who create quality, not technology alone," says Holtback. "A robot does a good job only if correctly programmed by humans."

At Uddevalla the workers are grouped in teams of eight to ten in six product plants. They are autonomous teams responsible for the complete assembly of the car, for the volume of output as well as the quality control.

Currently 200 units of the Volvo 740 range for the Nordic market are being produced each week at Uddevalla. The company hopes to reach a production goal of 10,000 cars in 1989, reaching the full plant capacity of 40,000 by 1991. Volvo sets monthly and annual production targets for the plant.

"This is a unique factory," claims Leif Karlberg, who heads the Uddevalla operation. The teams, 40 per cent made up of women, assemble the car in a stationary position – not on a moving line. The time for each stage of assembly amounts to an hour, more if it is felt necessary.

The actual number assembled each day is decided by the team at the start of the working week. There is a low level of mechanisation in the process. To the surprise of a contingent of visiting Japanese journalists, the assembly area has no robots at work. As much as 80 per cent of the work is carried out by workers standing upright – thanks to the introduction of a device that enables the car body to be tilted at different angles of up to 90 degrees.

Special hand-tools, ergonomically designed for women, have been introduced.

What strikes the observer at the Uddevalla plant is the very low decibel noise level as well as the sophisticated ventilation, the lack of dirt and smells, the use of natural light and stress-free colour designs on the walls.

As Karlberg points out, the company is making a big investment in training the teams. There is an initial 16-week initiation course, the first stage of a 16-month development programme. The hope is that each worker will learn how to perform the tasks required for a quarter of the car his or her team assembles. There are no supervisors or foremen.

The teams choose co-ordinators in rotation and there is a manager in ultimate charge of each product plant. But the workers are expected to shoulder a wide range of functions. Ideally the company would like to turn the job of the car worker from being a very limited one into a more creative occupation.

Through the stimulus of team spirit and delegation of power, Volvo aims to make auto production more challenging. In order to do that the company must keep labour turnover and absenteeism to a minimum; the financial cost of training workers in diverse skills demands greater stability in the workforce than in a traditional assembly plant if the approach is to be cost-effective.

At its more traditional assembly plant in Gothenburg daily absenteeism is running at an average of 17 per cent, but as high as 25 per cent in the paint shop. At the moment the Uddevalla rate of absence is around 8 per cent, the same as at Kalmar.

The production success of the 1.6m square metre industrial experiment at Uddevalla also depends on just how efficient the materials supply system turns out to be in meeting the demands of the assembly teams.

The car components from over 400 outside companies are brought into a materials centre at the heart of the factory. These include finished, painted bodies coming from the company's Gothenburg plant 80 kms away.

Workers at the materials centre also operate in teams with job rotation. They are involved in some pre-assembly work on front and rear axles, steering columns and exhausts.

But their primary task is to stock-keep and provide the kits of parts required for the full assembly work.

These are ordered up through the use of the computer by the assembly work teams and then loaded aboard automatic carriers moving on magnetic tracks in the floor to the appropriate team in the product plants. It takes four carrier loads to transport all the parts for the car. Stocks are kept as low as possible.

Uddevalla workers are relatively young with an average age of just over 30 for the manuals, though in Gothenburg the assembly plant workers have an average age of 22. But the company is anxious to have a more balanced age structure in the plant as well as sex equality.

Their wages are not enormous. Workers have a basic wage of SKr2,132 £205 a week. They can also earn a bonus on a scale up to SKr6 an hour though this will only be paid out when the teams can meet the quality, productivity and delivery targets they set themselves each week in order to meet the company's monthly target figure.

Special hand-tools, ergonomically designed for women assembly workers, have been made available at Volvo

The Uddevalla experiment has been made possible by the Swedish spirit of consensus inherent in both the company and the trade unions. From start to finish the plant was planned and designed through a co-operative effort between the Metalworkers union in particular and the management.

It began when the ruling Social Democrats, Volvo and the unions agreed on a SKr1.2bn package to replace the uneconomic state-owned shipyard in the town with a new car assembly plant.

In Sweden industrial democracy is not a fiction but a reality. This is why the union officials and workers are as enthusiastic about the new system as are the company executives.

Of course, it is the conciliatory business climate in Sweden that enables such experiments as that at Uddevalla even to be attempted, though nobody doubts that for Volvo it was also a shrewd commercial deal since the lion's share of the initial cost of establishing the enterprise came from the Swedish taxpayer.

It is fashionable nowadays to talk vaguely about the post-industrial society and the vanishing proletariat. Yet Volvo, along with other Swedish manufacturing companies, is defying the conventional wisdom.

Other auto companies might believe their future lies in using cheap, unskilled labour in Third World countries to build volume by moving assembly line methods. But Volvo thinks that there is a market for a high quality, hand-made car which is built in a humane way to the latest environmental standards. The product will be more expensive but it reckons there may be more affluent people in the 1990s ready to buy it.

The Gyllenhammar philosophy attracts widespread scepticism, even derision, and there is bound to be serious doubt about Uddevalla until it can be seen to be a financially viable enterprise.

Yet if he can pioneer a system of production that exploits technology in the interests of those who work at Volvo as well as those who buy its cars, and which does produce a profit, then what is happening today in Uddevalla could become a model for the future elsewhere in the auto industry.

A convoluted path to non-unionism

By Charles Leadbeater

There is a simple story of the future of trade unionism in the UK which goes like this. Changes in industrial structure, the location of industry, employment growth and employer policies are weakening unions and promoting non-unionism among women working in the service sector.

Non-union employers are introducing increasingly sophisticated employee relations policies to motivate employees, win their loyalty and ward off unions. Non-union companies are more innovative, productive and competitive because of the flexibility of not having to bargain with unions.

As a result non-union companies are exerting considerable competitive pressure on their unionised counterparts, which will lead to a further weakening of union influence and power.

This story, based on a simple distinction between unionised and non-unionised companies, has a ring of truth to it. Unions are weaker than they were.

But does this amount to the threat of a continual growth in non-unionism which could leave the UK unions in the position of their US counterparts, representing less than 20 per cent of the workforce?

A recent report* by analysts at Leicester and Kingston Polytechnics' Business Schools suggests that the likely outcome is at the very least more complex.

The line between the unionised and the non-unionised company is far from clearly drawn. Thus many unionised companies such as Ford have significant pockets of non-unionism within them.

Some other companies have made moves to de-recognise unions for middle managers and supervisors. In some, de-recognition has taken place at only some sites within multi-plant companies. Thus moves towards non-unionism do not necessarily encompass all workers. They may also touch only some aspects of collective bargaining.

The annual report of Acas, the government conciliation service, noted that there was a small but significant trend towards employers introducing individual performance-related pay schemes to circumscribe the role of collective, union negotiations over pay. Imposition and consultation are in many companies replacing formal negotiations.

The report suggests that the depth of union de-recognition may also be limited. Unions may be de-recognised from bargaining over some issues such as pay, but may retain negotiating and representation rights over issues such as discipline.

The growth of non-unionism is not a simple transfer from a completely unionised company to a completely de-unionised one. It is a much more subtle process, seeping gradually through unionised companies on several fronts.

Not all non-union employers develop sophisticated individualised approaches to employee relations. Many non-union Japanese companies retain quite collective systems of employee relations, involving teamworking, quality circles and company councils.

The report suggests that many smaller non-unionised companies have very straightforward, hire and fire approaches to their employees.

There is no one type of non-union company. The employee relations systems they develop will depend on whether they are large or small, North American or Japanese, use sophisticated production processes to compete in international markets or labour intensive production for low value-added domestic markets.

All this suggests that a simple dichotomy between unionised and non-unionised companies will not capture the subtlety and complexity of the change which is undoubtedly sweeping through British industrial relations. For most unions, as yet, the main threat is not de-recognition but gradual marginalisation.

Thus within many unionised companies a new division of labour is emerging within industrial relations management, between a unionised component, where change is subject to joint regulation, and a non-union component, where managers have much freer reign.

*Non-unionism and the Non-union Firm in British Industrial Relations, available from Ian Beardwell, The Polytechnic, PO Box 143, Leicester LE1 9BH.

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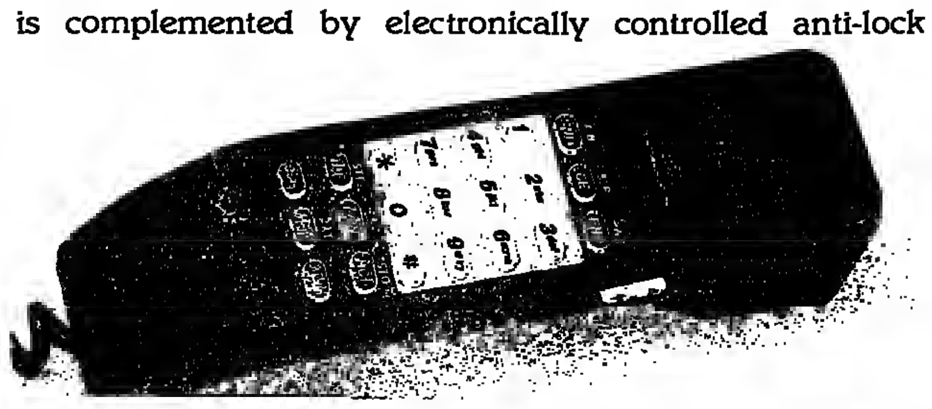

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TECHNOLOGY

The art world's marketing 'godsend'

The Mona Lisa would have sported more than just an enigmatic smile if she had known about a computer software development to help art galleries market their prints and paintings.

Designed specifically for the Redfern Gallery in London's West End, this system is described by Gordon Samuel, Redfern's managing director, as "a godsend for marketing."

The package will help the gallery with publicity says Chris Tooley, sales executive at Team Systems Group of London, the computer systems company which developed the software. "Modern commercial art galleries rely not so much on people walking in off the street, as on a network of contacts."

The Redfern, which specialises in 20th-century European art, uses the customised package of word processing and database to target collectors by listing their particular interests on the database.

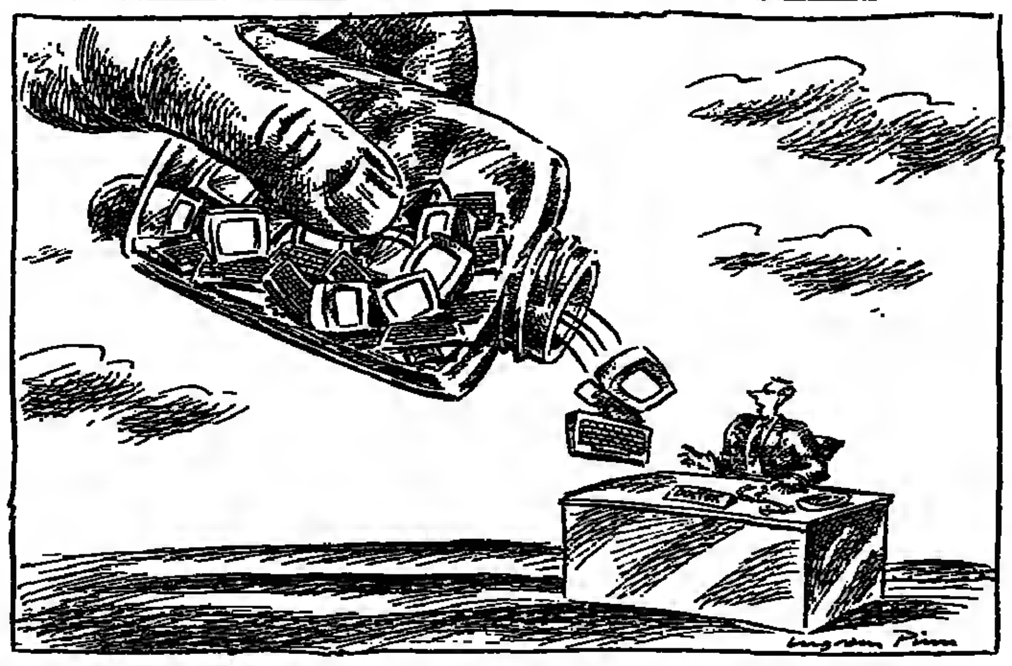
If the gallery acquires a Picasso, for example, the artist's name is put into the database which produces a list of clients interested in the work. The word processing system then takes over and writes n personalised letter to each client. "It would have taken me weeks before to do something like that," says Samuel. "But now it takes only minutes."

Although proving invaluable for marketing, Samnel originally approached Team Systems to develop a stock control system. The package grew from there. As well as keeping tabs on the ever-changing stock held by the gallery, it will print documentation — for example, invoices in 36 different currencies.

Samuel's decision to employ a systems house to write the software followed an exhaustive search for an off-the-shelf product: "The nearest package we could find was developed for the US, and that wasn't flexible enough for us."

Now the Redfern and Team Systems are selling the package, which runs under the Unix operating system on a multi-user computer, to other art galleries and museums.

Della Bradshaw



An electronic remedy for general practice

Clive Cookson explains why UK doctors are being offered, and accepting, free computers

Family doctors in the UK are rushing to accept the offer of "free" computers for their surgeries.

About 4,000 of n total 26,000 active GPs — in 1,500 of the country's 9,600 general practices — are now using sophisticated computer systems snpplied free by AAH Meditel and Vamp Health. The two companies plan to make money by selling information to the pharmaceutical industry about the doctors' prescribing patterns and their patients' diseases. A further 1,500 practicea have computers which the doctors have bought themselves.

Tbe free offers, hoth launched in 1987, were slow to get going because few doctors wanted to bother with a computer and many disliked the idea of selling even anonymous medical data to the pharmaceutical industry.

"The schemes were born in an atmosphere of understandable professional snspicion from GPs," comments Dr Andrew Herd, a member of the British Computer Society primary health care group. "They look set to end in the face of a slightly undignified rush from the profession."

AAH Meditel and Vamp Health say that they have been overwhelmed by requests for computers over the last few months and are approaching their target of 1,000 practices each. They are now only accepting applicants who fill gaps in their geographical coverage — particularly in Scotland.

One reason for the GPs' change of heart is that they realise they will need computers to carry out the financial and medical analyses set out in the Government's recent White Paper on the future of the health service. Although the Department of Health has indicated that it will provide funds for medical computing, it has given no details — and its terms are unlikely to be as generous as the Vamp and AAH Meditel offers.

At the same time, some of the ethical doubts about selling medical information to drug companies have disappeared. Many doctors — though not all — have been reassured by the independent Committee on Standards of Data Extraction which anpervises both schemes. Its guidelines are designed to protect confidentiality and ensure that all information is made anonymous before it reaches third parties.

"Britain is now streets ahead of the rest of Europe in the use of computers in general practice," says Dr Simon Jenkins, chairman of the British Medical Association's computer committee and BMA representative on the Union of European GPs.

General practice in the UK is organised in a way that is particularly suited to the collection of prescribing and medical data. Almost everyone is registered with a GP who is solely responsible for his or her primary health care and who provides referral to a hospital specialist for further treatment if necessary. As a result, British GPs can provide fuller information than their counterparts in many European countries, where more people go direct to specialists.

If the schemes are to succeed commercially, they will have to build up a reliable and complete database which the pharmacentical companies will trust and want to buy. That means that all participating doctors must use their computers routinely when they see a patient. They must enter brief but accurate details of each patient's medical problem and any drugs prescribed.

"We've always felt that our data should as far as possible be collected as a by-product of the doctor's normal activities," says Ewan Davis, managing director of AAH Meditel. "The quality of the data suffers when it is collected specially."

Both systems are therefore designed to be easy for doctors to use. Large amounts of data can be entered with very few keystrokes; for example if the doctor types the first three letters of a diagnosis or drug, the computer responds with a list of full names to choose from. AAH Meditel supplies Hewlett Packard Vectra computers with software developed by Ables, a specialist medical systems company. Vamp has its own software running mainly on Olivetti computers.

All Family Practitioner Committees (the local NHS bodies responsible for primary health care) can now supply GPs with a full computerised list of their patients. "That gets the doctor off to a flying start — though there are often discrepancies between the FPC'a and the doctor's own version of the list," says Davis.

Doctors whose records are fully computerised find that "this brings very real benefits to the clinical care of patients," says Dr Simon Jenkins, a Bury GP. "To give one example, if yon get a notice from the Committee on Safety of Medicines about the side effects of a particular drug, yon can immediately pull out an up-to-date list of all patients on the drug and contact them if necessary."

AAH Meditel supplies its computers with a modem which is used to send data from the GPs to the company for analysis, via the electronic network operated by Istel, the UK computer services company. Vamp doctors, on the other hand, transfer their data by sending computer disks to the company. Both companies have programs which remove names, addresses and any other information identifying individual patients, before the doctors send in the data.

The Vamp and AAH Meditel databases will be useful to the pharmacentical industry and medical researchers in four areas:

● Monitoring drug safety. The companies say that their databases — each covering about 5m patients — will pick up adverse reactions to drugs more quickly and reliably than the present system of "post-marketing surveillance", which relies on doctors voluntarily reporting side-effects and lacks statistical controls.

● Clinical trials. The computers will make it easier to select patients who are suitable for testing a particular new drug. If their doctors agree to take part in the trial, the system will prompt them with an on-screen questionnaire to provide additional medical information.

● Market research and studies of drug use. Professor Stuart Walker, director of the industry-funded Centre for Medicines Research, says the computer systems will make it possible for the first time to follow the individual case histories of a large group of patients with a specific medical problem.

● Epidemiology. The databases should eventually give a more accurate picture of the way diseases are distribnted through society. This information is of commercial interest to drug companies seeking to develop new medicines.

However some epidemiologists have doubts ebout the quality of the data. "I believe Vamp and Meditel will be able to prodoce extremely good prescribing statistics but the quality of the morbidity (disease) data will be weaker," says Dr Douglas Fleming, deputy director of the Royal College of General Practitioners' Birmingham Research Unit. "It will be a big task to impose the necessary recording discipline on the doctors." One problem, he says, is persuading doctors always to enter details of visits to patients' homes in the computer when they get back to the surgery.

Both companies are using their databases for small-scale research projects and Vamp has just signed the first large contract, understood to be worth more than £500,000, to carry ont post-marketing surveillance of a new drug. "We don't want our doctors to know which drug it is becanse we don't want them to alter their prescribing habits in any way," says Peter Williams, Vamp's managing director.

Looking further into the future, Dr Glyn Hayes, chairman of the British Computer Society primary health care group, says: "The extension of human facilities through computers is going to change medicine out of recognition over the next 30 years or so. By introducing GPs to compoting, the AAH Meditel and Vamp schemes are doing more to improve patient care than anything else I can think of."

Mail order by telephone

By Della Bradshaw

Mail order has become a misnomer for home shopping in the UK these days. Sears retail group, for axample, says that 80 per cent of orders through its Freemans mail order catalogue are now placed by telephone, not by post.

As a result, the company is turning to communications technology to improve its service to existing customers and to help it launch new catalogues. Sears' high street outlets, Selfridgas, Wallis and Hornes, have already leunched catalogues this year and more are on the way.

The Freemans catalogue now accounts for 95 per cent of the Sears home shopping business. But Michael Pickard, Chief Executive of Sears, says the company plens to increase direct mail operstions so that in four years' time the Freemans contribution accounte for only 40 per cent.

To halp it handla the expected deluge of calls over the next four yeers Sears haa combined British Telecom's digital freefone network with automatic call distribution systems (ACDs) — telephone axchenges which place the calls in a queue so thet they can be enswered in rotation.

The freefone network has enabled Seers to cut down tha number of ordering centree from six to three — in Sheffield, Orpington and Clapham, London — and extend its ordering service to run 24-hours a day. The result has been e spread of its 40,000 calls throughout the day.

Callers phoning any of the Sears catalogues now do so using e single number, prefaced by the 0345 freefone code, and pay only for a local call. Because the freefone network is software-controlled, Sears is able to determine which calls go to which of its centres. This distribution of calls can be changed at 48-hour notice — useful if one of the offices is out of operation, or if there is a staff shortage.

Eventually Sears plans to introduce separate 0345 telephone numbers for each catalogue. These would indicate — by information displayed on the computer screen — which cataloguo the customer was using each time the telephone rang.

Sears has not tried to justify its investment decision on traditional cost-cutting grounds — the running costs of their new network will be three times that of their old one. But, ssye Philip Bradshaw, head of group information systems at Sears, doing it cheaply and cheerfully was not what the company wanted.

"It's so easy to be cheep and inflexible. Wa decided we needed the flexibility because of the way we're going to change the business," he says. "Most companiee have problems building technology to follow a business plan because the technology is inflexible."

The ACD system selected by Sears for its Sheffield Centre la from tha west London subsidiery of Aspect Telecommunications of Sen Jose, California. Othar manufacturers end distributors of ACD systems include tha US company Teknekron, whose system is sold through Detapoint in the UK, Ericsson of Sweden, end two UK compenies STS end GPT (the GEC end Plessey joint venture).

ACD systems have a niche market but they ere enjoying rapid growth in Europe at the moment — by 30 to 40 per cent e year according to market reseerch organisation Dataquest. However Dataquest believes that UK sales will plateau by 1992.

ACD systems ere finding homes in eny industry where ordering or servicing is centrel to business. They con be programmed with a number of voice responses to eesure customers their calla will be answered shortly and can also, for exampla, be used to direct authorised callers into the company's service database.

Sears, at least, is hoping the technology will help it increese its percentage of the home shopping market, a lucrative sector of the retail business, worth £4.5 bn last year in the UK.

THE PROPERTY MARKET

Checking in at a business 'hotel'

By Paul Cheeseright

The mobile businessman has jetted into the consciousness of the property industry. So has the company which does not want to surround itself with all the trappings of leasehold agreements or owner-occupation.

The result has been an expansion in the number of serviced offices and a greater willingness by some property companies to provide businesses with premises, not on a lease basis but on licences. Marketing people have coined the title "business centres" for what are essentially business hotels: you can stop for a day or stay for a year. But the facilities are immediately available to start working.

Business centres are like *hotels in another* respect. Different demands from the customers have created different standards of accommodation. They range from the four-five star operations like Reinhold's Regus Centre and London & Edinburgh Trust's Carlton Offices through the more basic facilities provided by, for example, Local London Group to the office-industrial space mix offered by companies like Skillion. "All have in common the fact that you can break the lease. They're catering for that sector of the market which does not want a long leasehold interest," noted John Mathey of Skillion.

The centres are spread throughout the UK but, like so much other property, the focus of activity is in London. Winter and Co, an estate agency specialising in the provision of small offices, calculated that by the end of 1988 there were 63 business centres in central London – that is, serviced offices rather than premises where manufacturing can take place as well. That amounted to a total of about 600,000 square feet of space.

Most commonly the centres have between 4,000 and 7,000 square feet of space, split into suites. They are run by private companies – Fairway and Chesham, for example. And they are spread more thickly in the West End of London than in the City.

The economics are not unlike those of a hotel. They need high occupancy rates to provide the 30 per cent return most operators are likely to require. According to Mitchell Winter of Winter and Co, "a well-run complex will break even at between 60 and 70 per cent occupancy. Above that they make a good return and with 90 per cent occupancy they make a first class return."

The level of payments reflects not only the serviced element of the office space, but also the fact that operators are substituting high fees for certainty of income. Thus the licence charges will be more than double those of the most expensive leased offices at up to £200 a square foot.

As far as customers are concerned these charges are expressed in costs per month. Carlton Offices were quoting £10,000 for office space to house 10 people. The Regus Centre, nearing completion, is charging £3,000 a month.

Winter noted that "licence fees and inclusive rentals vary enormously with quality and location. In general, however, the newer centres are achieving higher standards and prices have risen accordingly. Rental fees have been rising at roughly 10-20 per cent per annum and most operators expect this pattern to continue." Indeed, rather than waiting for rental uplifts once every five years, operators tend to adjust their charges annually.

Clearly there will always be a transient population of businessmen wanting somewhere more convenient to work than a hotel. "Businessmen are fed up with standing in hotel lobbies looking furtively over their shoulders," commented John Wheeler of Reinhold. But the operation of business centres cannot wholly be divorced from the general movement of the property market.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Apr 89	17.6	25.3	24.9	22.0
Monthly rate – Apr 89	0.9	1.0	1.5	1.0

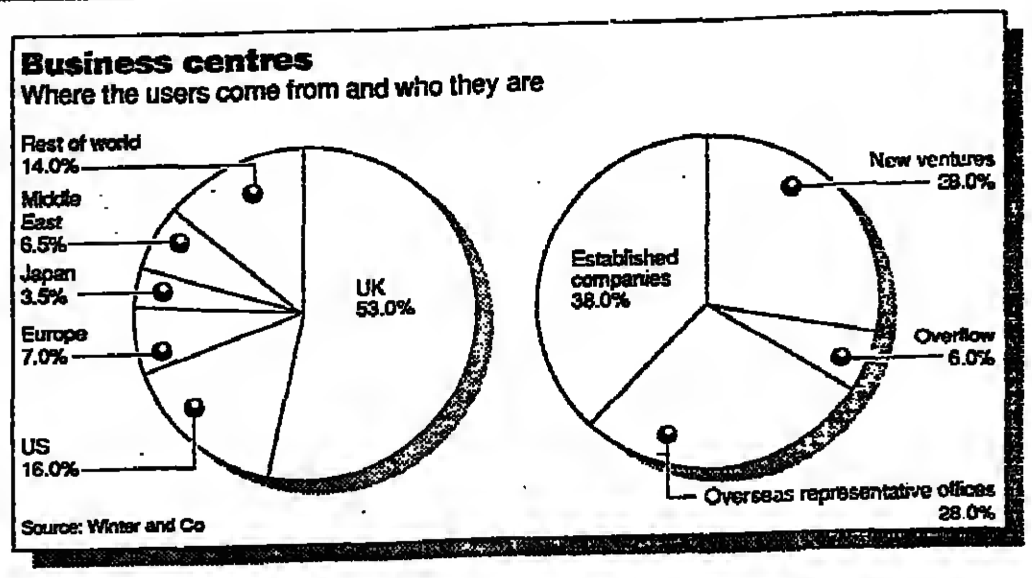
Source: Investment Property Databank

Arguably, greater flexibility in the market will put greater competitive pressure on the business centre operators. There will be more choice of premises available. It is noticeable that although the taking of space in serviced offices on a permanent basis is rare, the average length of stay in newer centres is quite long. The centres themselves prefer to rent space for a minimum of three months and Winter has found that the average length of stay in St James's district of the West End is 24 months. In some parts of London the stays have been five years.

The centre operators themselves are seeking to develop a new market through the internationalisation of their activities. This is probably outside the scope of the smaller private companies involved but is a natural step for the larger quoted groups.

Frogmore Estates has just opened a new centre at Windsor which is part of the Headquarters Companies network – a series of business centres through the US. Reinhold has centres in Copenhagen and Stockholm and plans more in the major continental European cities. London & Edinburgh Trust is completing Carlton centres in Glasgow and Paris and also plans expansion through Europe.

The idea here is that international clients can be passed from centre to centre. In just the same way as an international company makes hotel reservations for its executives before they start to travel, so they will be able to rent offices in advance.



SERVICED offices have been part of the US property scene for decades but their growth in the UK is a fairly new phenomenon. There were isolated business centres in London during the 1960s, but Winter's analysis of their spread shows that their London development has been concentrated between 1982 and 1988 with a peak reached in 1986.

This development is mirrored in the expansion of *Local London.* John McAvilley, who runs its business centres, noted that in 1984 the group ran four and now has 20.

Mitchell Winter observed that the fundamental reason for the spread of the market has been the growth of the economy during the 1980s. "In the late 1980s it has developed almost by default. If at any given time you walk into an agents and say 'I want a small suite of offices with a flexible lease and an inclusive rental' you'd find it very difficult."

He puts this state of affairs down partly to the institutional desire to have tenants on full repairing leases lasting 25 years. As a result, entrepreneurs have slipped into the market to provide a service.

But the stronger the economic growth and the more sustained the demand for property, the greater the problems of the business centre operators. "When the property market gets buoyant, it is difficult to find buildings," said Mr McAvilley. "To have a custom-built building is a huge investment and this could put you out of court."

Local London prefers to take buildings like old warehouses and convert them. In a different section of the market, Reinhold's Regus Centre, with its conference centre, communications centre and own restaurant is costing about £30m. In the early 1980s, when the market was in the doldrums, buildings were easy to obtain. Now that is not the case.

As business centres have spread, so has the the nature of their clientele. Local London has noted that there is now more demand from international companies than there is from from domestic companies at an early stage of their existence. The five-star centres are in any case geared to the international market. But in all cases, no company which arrives expects to stay permanently.

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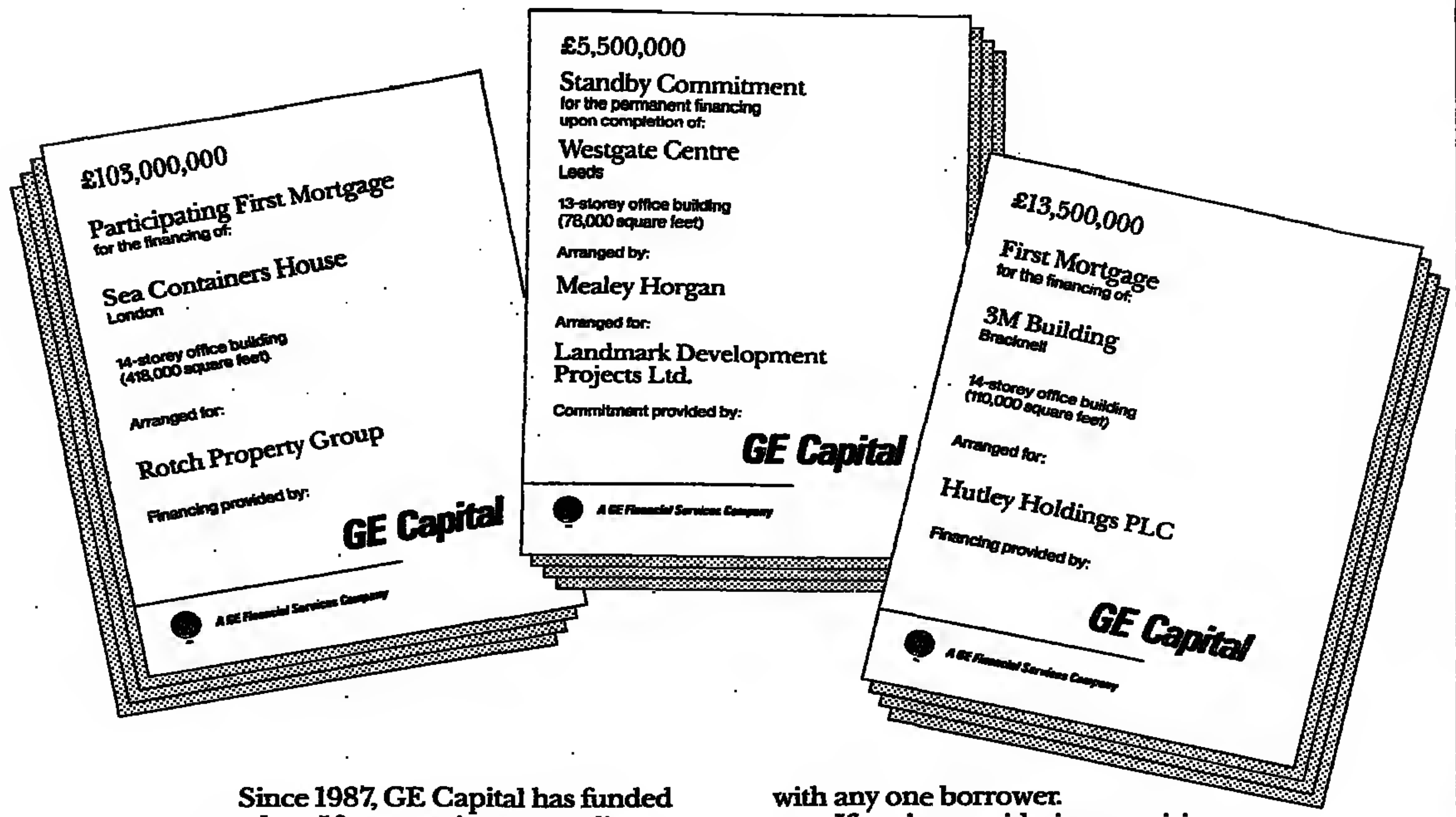

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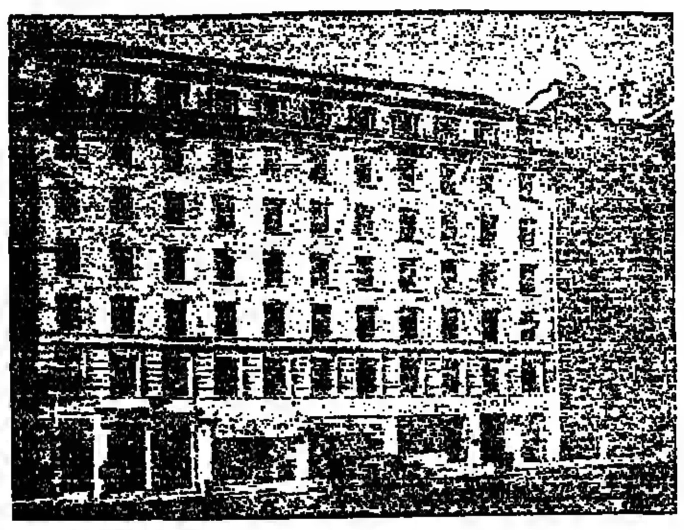

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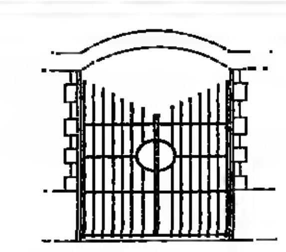

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ARTS

Arts Week

F	Sa	Sn	M	Tu	W	Th
9	10	11	12	13	14	15

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).
Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660).
As You Like It (Old Vic). Yet more non-RSC Shakespeare, with an outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (928 7616, cc 261 1821).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, *vitriolic and entertaining* (836 6404).
Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. June 8-14, 23-28, July 7-10 (928 2252).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tregedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and *mother fixation. Mannered,* excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).
Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).
Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).
Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

New York

Heidi Chronicles *(Plymouth).* Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, *stars Louis DiCrescennzo as* Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.
Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki (National Theatre). Kanadehon Chushingura. The most popular play in the kabuki repertoire, based on the true story of the 47 loyal samurai, is performed in two self-contained parts at 11am and 2.30pm (265 7411).
Shimbashi Embujo Theatre. Two mixed programmes at 11am and 4.30pm, featuring mainly younger kabuki actors, including Kikugoro and the world-famous Onnagata Tamasaburo. Both theatres provide informative English language programmes and the National Theatre has an earphone guide in English (541 2211).
Les Miserables. (Imperial Theatre) *Strongly-cast revival (in Japanese)* of the stirring musical of the storming of the Paris barricades. (201 7777).

MUSIC

London

Leningrad Philharmonic conducted by Yuri Temirkanov, with *Dmitri Alexeev (piano).* Prokofiev, Rachmaninov, Mussorgsky. Barbican Hall (638 8891) (Sun).
The Philharmonia conducted by Giuseppe Sinopoli, with *Jessye Norman (soprano).* Strauss. Royal Festival Hall (928 8800) (Sun).
The Philharmonia conducted by Eliahu Inbal, with Cyprein Katsaris (piano). Royal Festival Hall (928 8800) (Tues).
London Symphony Orchestra conducted by Kent Nagano, with Yvonne Loriod (piano). Barbican Hall (638 8891) (Thur).
Cleveland Orchestra conducted by Christoph von Dohnanyi, with *Daniel Majeske (violin),* Robert Vernon (viola), Stephen Geber (cello). Royal Festival Hall (928 8800) (Thur).

Paris

Arleen Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athenée (Mon) (47426727).
Ensemble Orchestral de Paris conducted by Armin Jordan, with Alicia de Larrocha (piano). Haydn, Dvorak, Beethoven Salle Pleyel (Mon) (45638873).
Isaac Stern (violin) and Robert MacDonald (piano). Théâtre des Champs Elysées (Mon) (47203637).
Nikita Magaloff, piano recital. Salle Pleyel (Tue) (45638873).
Teresa Berganza recital with Jose Miguel Moreno (guitar). Théâtre des Champs Elysées (Wed) (47203637).
Orchestre de Paris conducted by Guenther Herbig, with Alain Moglia (violin). Haydn, Britten, Beethoven. Salle Pleyel (Wed, Thur) (45630796).
Orchestre National d'Ile de France conducted by Jacques Mercier, with Raphael Oleg (violin). Debussy, Lalo, Ravel, Chabrier. Théâtre des Champs Elysées (Thur) (47203637).
Nouvel Orchestre Philharmonique conducted by Rolf Reuter, performing Haydn's Creation. Saint-Germain-Des-Pres church (Wed) (42301516).
Nouvel Orchestre Philharmonique conducted by Andrew Litton, with Anna-Stella Schick (piano). Mendelssohn, Krauze Grand Auditorium Radio France (Thur) (42301516).

Brussels

Queen Elizabeth Violin Contest. Recital by First Prize winner, Vadim Repin (Mon); concerts by other prize winners with the RTBF Symphony Orchestra conducted by Andre Vandernoot (Tues); closing gala with the Royal Flanders Philharmonic Orchestra conducted by Georges Octors (Thur). Palais des Beaux-Arts.
Monnaie Symphony Orchestra conducted by Sylvain Cambreling, with Laurence Dale (tenor), *Nancy Gustafson (soprano)* Palais des Beaux-Arts (Sun).
Eric Gobin (tenor), Fernando Leitao (baritone) accompanied by Xavier Riveira (piano). Handel, Mozart, Schumann. Hotel Charlier (Thur).

Amsterdam

Royal Concertgebouw Orchestra conducted by Nicolaus Harnoncourt. Schubert, Berio, Beethoven. Concertgebouw (Wed).
Royal Concertgebouw Orchestra, with Alfred Brendel (piano). Haydn, Brahms, Weber, Mendelssohn, Beethoven. Concertgebouw (Thur) (718 345).
Netherlands Philharmonic conducted by Hartmut Haenchen, with choirs and soloists. Beethoven. (Thur) (270466) Beurs.

Cologne

Cleveland Orchestra conducted by Christophvon Dohnanyi. Bach, Webern, Schoenberg, Schubert. Philharmonie (Fri).
Hermann Prey lieder recitals with pianist Leonard Hokanson. Schubert. Philharmonie (Sun, Tues, Wed).

Frankfurt

Evita, the original Broadway production with Florence Lacey. Alte Oper (all week).

Vienna

Alban Berg Quartet. Beethoven. Konzerthaus (Fri, Sun, Thur).
Wiener Philharmoniker conducted by James Levine, with Alfred Brendel (piano). Mozart, Stravinsky. Musikverein (Sat, Mon).
Chamber Orchestra of Europe conducted by Heinz Holliger. Beethoven, Holliger, Berg. Konzerthaus (Tues).
Ensemble Wien performing Danzi, Mozart, Francaix. Konzerthaus (Wed).

Rome

Leonard Bernstein conducting Debussy and Richard Strauss. Auditorium in Via Della Conciliazione (Sun, Mon, Tues) (6541044).

Florence

Misha Maisky (cello) and Martha Argerich (piano) playing Stravinsky, Beethoven, Mozart and Prokofiev. Teatro Della Pergola (Wed) (2479651).

Washington

National Symphony Orchestra conducted by *Mstislav Rostropovich*, with Cleopatra Ciurca (mezzo-soprano), Paul Plishka (bass), and the Choral Arts Society of Washington directed by Norman Schribner. Prokofiev programme in final performance of the season. John F. Kennedy Center Concert Hall (Tue) (254 3776).

Tokyo

NHK Symphony Orchestra conducted by Michel Tabachnik. Mozart. Suntory Hall (Mon) (505 1010).
Andrei Gavrilov (piano). Schumann, Chopin. Suntory Hall (Tues) (235 1661).
Franz Liszt Chamber Ensemble. Telemann, Handel, Boccherini, Vivaldi. Suntory Hall (Thur) (299 9999).

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective shows side by side two senior British artists. Collins *a highly idiosyncratic visionary* and symbolist painter with a particular interest in the idea of The Vision of The Fool, on which be has also written extensively; McWilliam an early follower of Moore, but one whose no less idiosyncratic surrealist vision has led to the achievement of the most particular and varied oeuvres in modern British sculpture: both shows until July 19; McWilliam sponsored by Ulster TV.
The Whitechapel Gallery. Sean Scully – a selection from the work of the past six years of a painter, Irish born, British educated and now naturalised American. His huge, deceptively simple canvasses, with their rich and almost heraldic blocks and stripes of colour, present the material of paint, and the act of painting itself, as a splendidly monumental and confident fact – take it or leave it: Until June 25, then on to Munich and Madrid.
The Barbican Gallery. 100 years of Russian Art – a curious exhibition drawn from private collections in Russia, itself something of a surprise. Until July 9.
The Hayward Gallery. Art in Latin America – a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. Daily until August 6.
The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented: trophies drawn from across the whole of Europe at the time of Sweden's ebrupt emergence as a European power. Arms and armour, gold and silver: bnt most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Velasquez. Daily until June 18; sponsored by Gamlestaden.
The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Daily until August 20.

Liverpool

The Walker Art Gallery, "La France: Images of Women and Ideas of Nation" – second showing of the South Bank Centre's bicentennial celebration of the *Revolution* – until June 11.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political *context of Europe* as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 countries retrace the pre-revolutionary splendour of European courts and the *aristocracy as opposed* to the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republican virtues on an idealised contemporary reality. A visual representation of the Human Rights Declaration becomes a cornerstone of the revolutionary iconography. The exhibiton ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night Wed. Ends June 26 (42895410).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscoreale, *the towering effigy* of King Amenophis IV or Cressent's 18th century Commode with a Monkey? Between the first gift – a 17th century Dutch genre scene A Dropsical Woman bestowed by a young officer in 1798 and *the last offering – Saint Thomas* by Georges de la Tour purchased thanks to a public subscription in 1988, 350 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. Even the Venus de Milo entered the Lonvre as a gift, though she has not been moved for the exhibition. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Nivean Accueil.
The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. There are preparatory drawings for the Sistine Chapel, projects for architectural decors and anatomical studies. Galerie Mollien, entrance through the Pyramid, direction Denon. Closed Tue, ends July 31.
Galerie Schmit. French masters of the 19th and 20th century. The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. There is an explosion of colours from the *fauves*, as well as a small early Picasso, a conversation piece, so genuine in its attitudes. 396, rue Saint-Honoré (42603636), closed Sundays, ends July 19.
Daniel Malingue Gallery. *A resolutely modern exhibition* with works by Max Ernst, Miro, a suite of Fernand Leger's abstract watercolours and gouaches, Nicholas de Stael's red and blue shining landscapes and an orange-coloured sunset. 26, Ave Matignon (42666033) closed lunchtimes, Sun and Mon mornings. Ends July 8.
Centre Georges Pompidou and ***La Grande Halle de la Villette.*** A mammoth exhibition – Les Magiciens de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Centre Georges Pompidou (42771233) and Grande Halle de la Villette, *211 Ave Jean-Jaures,* Metro Porte-de-Pantin (42497722). Both exhibitions closed Tue and end August 14.
Galerie Odermatt-Cazeau. Masters of the 19th and 20th century. A large Bonnard – La Place de Clichy – catches the bustle of a Parisian street. 85 bis, Rue dn Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.
Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of flowers and fruit typical of Flemish still lives, a painting totally different in spirit is tha central piece of the exhibition. 267, Rue Saint-Honoré (42601503). Ends July 13.

Amsterdam

Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, and Carlo Crivelli. Ends July 9.

Brussels

Galerie Tzwern. Aisinber: The Circle of Twenty (1884-1893). The Avant-Garde movement in Belgium. 36 Rue aux laines, The Petit Sablon. Closed Mon.
Musée d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon.
Bibliotheque Royale Albert 1. An exhibit to celebrate the library's 150th anniversary. Open daily ends July 15.
Goethe Institute. Graphic Art in German Expressionism. Works by Kandinsky, Klee, Kokoschka *and others. Ends June 24.*
Bibliothèque Royale. 150th Anniversary exhibition of maps, manuscripts, prints, numismatics. Daily, ends July 15.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American *Express company, will have its* second stop here in Frankfurt on the European tour.

Baden-Baden

Kunsthalle, Lichtenthaler Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever with around 500 exhibits. Ends July 30.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". Ends July 2.

Bremen

The Kremlin Gold. The exhibition, jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum, will coincide with Mr Gorbachev's first visit to Germany this week. Bremen Uebersee Museum, Bahnhofsplatz 13. Ends August 13.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.
The Benedictine Monastery in Melk, an hour's drive from *Vienna, celebrates its 900th anniversary.* Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.
The Kunstforum, *a new art gallery* sponsored by the state-run Leanderbank, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next to nothing in the 1950s.
Secession. Austrian interior designers get a chance to exhibit their work at this marvellous gallery, the original home of a group of radical and highly creative Viennese artists at the turn of the century. From June 7-16.
Albertina. Try not to become annoyed with the depressing layout, the appalling lighting and the uninterested staff when seeing a collection of watercolours and drawings by Austrian artists. Ends July 16.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism, until Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Whitney Museum. The 65th to the long series of Annuals and Bienniales features a large group of lesser-known artists among the 80 represented on three floors *of galleries. Ends July 9.*
Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. *Ends July 16.*
Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include *paintings by Titian, Guercino,* Rubens, Van Dyck and William Blake. Ends June 18.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Tokyo

Suntory Museum. Wall paintings and screens from castles and temples of the Momoyama Period (16th century). Closed Mondays.
National Museum of Modern Art, Takebashi. Tatsuo Takayama retrospective. Closed Mondays.

ARTS

Modern Music Theatre Troupe

THE PLACE

Contemporary opera has not been receiving too good a press recently, but before getting terminally disillusioned or being talked into a crisis, punters should become reaquainted with the Modern Music Theatre Troupe, who for some years now have been quietly – too quietly? – delivering the goods with an admirable ratio of success and near-success (let it not be forgotten that Paul Barker, MMTT's director, composed a notable Doris Lessing *Zones* opera long before that appalling load of tripe thudded onto the Coliseum stage last year).

Barker's latest piece, the 45-minute *La Malinche*, was premièred at The Place on Wednesday. How refreshing to encounter a new opera that is about *music*, based on elaborate, demanding and satisfying *writing for* a chorus of ten (excellently prepared and executed), and on genuine ability to write rewardingly for the voice, both elements discreetly supported by a band of three (percussion, and two conch shells doubling trumpets).

The rich musical content should not, however, entirely muffle doubts about one aspect of this treatment of a weighty moment in time, the meeting of Cortes and the Aztecs. The Indians sing in Nahuatl and Cortes sings in Latin and Spanish; English is reserved for the bilingual lady of the title and (in part) for the counter-tenor Xicotencatl, whose precise function was not entirely clear (one was, admittedly, quite mesmerised by the beauty of Jonathan Peter Kenny's singing). Cortes ended up dead, not as the triumphant destroyer of Aztec civilization, and the whys and wherefores were lost in the multilingualism that was the only element of a certain purist bloody-mindedness that can afflict even the best music-theatre undertakings. (A case for surtitles? No, no, I'm joking.)

Otherwise, nothing but praise for Barker's conducting, the pointed production (Akemi Horie) and decor (Katie Aylieff), and above all for the singing of the *title* role by Christine Barker, a soprano with the dramatic intensity of a Barstow, and Richard Jackson as a definitely un-stout Cortes, both of whom seized the opportunities for expressive vocalism with due gratitude.

In place of the advertised piece by John Woolrich (illness prevented *its* completion in time) the first part of the evening was devoted to two groups of pleasingly unpretentious songs by Barker (exquisitely sung by Karin Parkinson) and Hugh Davies (Janet Lince, in secure duet with Nigel Paul's muted trumpet) and to a new dance piece with a score by Davies. The dance element I am not qualified to remark upon, but it was anyway utterly upstaged by the *riveting variety of noises* the composer was eliciting from his amplified Concert Aeolian Harp. An evening of real musical substance, then; tonight's repeat performance is warmly recommended.

Rodney Milnes

Placido Domingo as Manrico

New 'Trovatore' at Covent Garden

In the week after hideous civil-war turmoil broks out in one of the world's oldest civilisations, the Royal Opera has unveiled its new production of *Il trovatore*. The only salutary feature, if one can call it that, of the juxtaposition is that it helps one to appreciate the blazing truthfulness of Verdi's opera perhaps that degree more.

The story of *Il trovatore* is not incredible – the tired old canard must be laid to rest finally and forever. Absurd, casual acts of violence *always* happen in places and at times of civil conflict. (The matter of the "wrong baby" has long been the target of particular mockery; readers of Joseph Lelyveld's *South African epic Move Your Shadow* will not, however, be among the mockers, because they will have engraved on their memories the story of the woman who handed her baby over to a stranger for safekeeping while escaping a police roadblock and lost him forever.)

The elemental directness of the opera's situations, of the emotions no less absurd and violent that arise within and because of them, and of the song in which they are uttered, makes this one of the purest and most unfettered of all attempts to capture the *comédie humaine* in the theatre. It is this sense of directness that one craves in *any production of the opera. Admittedly, it* is not easily supplied. Caruso may have exaggerated when he said that the four best singers in the world are all one needs, but the no-holds-barred presentation of the music is the crucial ingredient in the dramatic articulation – lavish sets and costumes properly come low down on the list of requirements.

At Covent Garden, alas, priorities appear to have been reversed – if not in intention, then in the end-result. On Radio 4's *Start the Week* this Monday, Jeremy Isaacs, the house General Director, accused all opera critics of being producers *manqués*. Embarrassing nonsense, of course; but during the long, lukewarm course of Wednesday's Royal Gala (in the presence of the Prince and Princess of Wales), there were certainly plenty of opportunities to analyse all the ways in which one would have preferred to see and hear the opera done. Piero Faggioni, the producer-designer, has gone all out for elaborate (and evidently costly) pictorial effects; but the interest of these soon ebbs away, and the combination of grandiose dullness for the eye and grey dullness for the ear proves sadly overpowering.

Faggioni has set the whole opera in a slate-grey gorge "based on a primitive mountain cave of volcanic origin, for which volcanic rocks have been modelled from original shapes at the Gole dell'Alcantara." The stark shapes and spaces, ringed with smoke and pointed with fire, suit the early scenes impressively well, the later ones a good deal less well, and the whole opera inadequately – the absence of Mediterranean openness and bareness, of sky, sun and moon, is ultimately crippling. The style is clearly intended to be high-Romantic; but with flowing robes, metal helmets, and hardly-visible faces its linking features, the *mise-en-scène* begins after a while to assume the family traits of the *Masters of the Universe* cartoon videos.

It is a setting that takes processions and starkly positioned supers with reasonable effectiveness, and Faggioni sets these up capably enough (apart from that risible dancer, a mute Preziosilla figure, who sashays about to the Soldiers' Chorus). But the characters are diminished, the emotional conflicts drained of immediacy. It would take a cast of super-Verdians and a conductor of the holiest Verdian authority to make something elementally direct of it; and on Monday it is they we most missed. Bernard Haitink, conducting his first *Trovatore*, was at his most cautious and un-electrifying. Past experience with *Don Carlos* and *Traviata* suggests that he will find his way to the colours and energies of the score in time; but this performance was the palest preliminary sketch.

The big name of the cast is Placido Domingo; the strongest contributor is Sergey Leiferkus's Count of Luna. In terms of vocal timbre he is not a natural for Verdi baritone roles, and his words are fruity Russo-Italian, yet he remained always vigorous in delivery, urgent in attack, acutely in character. Domingo's troubadour comes to London, I fear, a little late in his career; the singing is of course highly musical and responsible, but unwontedly dry, and tight at the top (this even with all "traditional" *acuti* banished, an unimpeachable decision that has attracted an absurd amount of publicity). This is the first of Domingo's Royal Opera productions notably undominated by his presence.

Rosalind Plowright has failed to live up to the wonderful Verdian promise of her ENO *Otello*. It was sad to hear her struggles with the upper range of the music; and as all her attentions seemed to be concentrated on getting past the next-approaching high-jump, the sum of her singing and acting was a constrained, unfocussed Leonora – at least until the final scene, when at last the tone began to flow. Eva Randová, *vocally out of her Fach*, approaches the assignment with secure professionalism; but no-one, I think, would want to revive Verdi's early idea of naming the opera *Azucena* on her account. Willard White's Ferrando is strikingly acted and sung, not quite dark enough in tone.

Faggioni, the house's Principal Guest Producer, is making this *Trovatore* (sponsored by Reed International) the first of a Verdi "Spanish" mini-series at Covent Garden. It was an inauspicious start.

Max Loppert

Beorhtel's Hill

TOWNGATE THEATRE, BASILDON

Arnold Wesker has written this year's community play for the Colway Trust. Beorhtel's Hill is the old Saxon name for Basildon, the New Town in Essex that celebrates this year its 40th anniversary. A local cast of hundreds is well deployed on the stage of the new Towngate's horse-shoe auditorium; there is no undisciplined rushing about or promenading.

The play is both episodic and fragmentary. "Property, Freehold, the Stranger in our Midst" intones a bald narrator, a self-styled community drunk who swayingly conducts the proceedings, mystified by the druidic grey-clad presence of a Greek chorus ("If only I knew who they were"). The chorus gnomically remarks that "all things tire of themselves," a cynic of his sneer, a city of its dreams.

The loss of prejudice, or of idealism, impinges only scantily, however, on the main task which is *one of explaining* a community's history in terms of social imperatives and human need. Today one thinks of Basildon as a mildly prosperous, monumentally boring dormitry town, part of the East End Cockney overspill. A diary-keeping New Towner interjects her recent memories as the original settlers, known as plotlanders, establish their country bolt-holes before the last War.

Those small properties were later auctioned off by the Basildon Corporation for huge profits, and after the New Towns Act of 1946, the first modern house was built in 1951. Major expansion was approved in 1964. By 1983 there were 160,000 inhabitants.

This jostling of escapist dreams by the new political and architectural brutalism becomes the major theme, but it is never given the insistent focussing Wesker once arranged in the play of his this piece most strikingly (and at one point, literally) recalls, *Their Very Own And Golden City*.

The chorus, I suppose, represent the spirit of a place whose evolution depends on welcoming the stranger. After the plotlanders come the re-housed East Enders and finally, in the 1970s, Ugandan immigrants thrown out by Idi Amin but pragmatically welcomed by Edward Heath, the Prime Minister. An angelic choir in beautifully home-made white wings sings of the dream, of a phoenix rising from poverty and misery.

It is all something of a patchwork piece, colourful but spineless. A gang of Edwardian kids evoke forgotten playground games and follow the dream symbolised by a single red rose (not a Labour Party emblem, surely?). Memories of war-time, like much of the play's material, have been culled from tape-recorded interviews and re-written, shaped, "rhythmed" he would say, by Wesker.

A town built for the dispossessed, be they indigenous East Enders or immigrant Ugandans, is both obliterating, and taking strength from, Wesker poetically suggests, the small deeds and tiny braveries of the frontiersmanship of the plotlanders, with their Beatrice stoves, wooden huts and taste for fresh air.

That tradition can burst through still, in art and gardening. The play ends with a great flower festival, pots and displays carried onto the stage from all over the theatre, the arena transformed and strewn with magnificent garlands. The weekend huts, the little steam train, the properties and costumes, all testify to a loving participation by the Basildonians. Their work – on view until June 17 – is well organised by directors Jon Oram and Steve Woodward. Ian Stewart supervises some impressive chants and anthems.

Michael Coveney

'A Doll's House' at the Leicester Haymarket

Nick Dear, who has made this version of Ibsen's play at the Leicester Haymarket from a literal translation by Knut Grimstad and directs it himself, evidently means it to strike a modern house as it would have struck an audience of its own time. It was written in 1874, so current speech usages are avoided. Challenged about her "rich old gentleman" fantasy, Nora says "He doesn't exist," not "there isn't one," and a visitor is asked to "enter" the study.

The playing matches the language, for Torvald and Nora (Daniel Massey and Miranda Foster) both express their emotions in deliberately oldfashioned gestures, giving some oldfashioned excitement. Massey's ultra-sentimental Torvald points his forefinger at Nora when he is lecturing her (he usually is) as if he were a headmaster; and both Nora and Dr Rank go down on their knees to reinforce various pleas. T.P. McKenna as Rank uses rather too much voice for a man fatally ill with "consumption of the spine," but he cleverly suggests dashing behaviour in subtle ways – see him smell Nora's silk stockings when she displays her costume to him.

Matthew Scurfield, though equally restrained, is a truly minatory Krogstad without ever uttering more than a lawyer's warnings. I felt sorry for Kristine; with every pretence of revived affection, she returned to her old affair with him when it was obvious that he was accepting her for his social betterment only. Kristine was a wholly likeable woman as Michelle Newell played her, with her deep, sensible voice, and she deserved better.

Certainly better than putting Nora up when she walks out on her husband. Miranda Foster is totally different after the party, the absurd doll-wife gone as if by magic. "I'm saved!" says Torvald when he reads Krogstad's last letter. "And me?" asks Nora curtly. She comes right downstage, her way when she has important lines, to tell us all that she now thinks her husband a stranger. We never see the children, by the way. She makes her final exit with more dignity than she summoned to drown herself with, though she should have worn something warmer for a Norwegian January night.

The sitting-room, designed by Brien Vahey, is spacious and correct, as a bank manager's should be; the clothes are very respectable too. Nora's tarantella costume, even, is uncommonly plain, but no doubt the wardrobe has gone into it all.

The Haymarket Studio has the last of its current series of new plays, *Looking at You (Revived) Again*, by Gregory Motton. If that title were written in capitals, the word "revived" should be in lower case, the author insists. In my experience, no one ever recommends a play with a title that is embarrassing to say.

There are three characters, all Irish, though the locale is near the A1: Abe Driscoll, a down-and-out, Mrs James (The Dark Woman) (Veronica Quilligan), and Peragrin's Daughter (Susannah Doyle), who is nameless, indeed parentless, for Peragrin is never mentioned. Set in rough country with a line of withered trees and a ruined cottage (Anthony Lamble, designer), it consists of a dozen scenes in which Abe is accompanied either by Peragrin's Daughter or Mrs James, or occasionally by both.

The daughter is about sixteen, with a black leather jacket and pee-stained jeans (Abe is always keeping her from going to "the toilet"). Mrs James lives in the cottage, she has broken her back falling downstairs when drunk and can't go out. Probably – I can't go further – Abe is her lover or husband, for there is talk of many kids, all thrown out. The girl claims to have had a baby too, in a cheap suitcase that Abe kicks across the stage, but we don't see it.

I couldn't care sufficiently for the trio to work at Mr Motton's riddle. To find an answer, however ingenious, in such dramatic desert is asking too much. There are at any rate two memorable lines – "Who knows what's going on?" and "This could go on for ever." Simon Usher directs with apparent ability. Nothing is too baffling for him.

B.A. Young

Laughing Matters

DONMAR WAREHOUSE

Why should anyone want to spend his evening spitting table tennis balls into the four corners of a theatre and then catch them in his mouth as they bounce back? And why, might ask juggler comedian Michael Davis, should anyone want to go and watch him do it?

Because Davis is a droll character, a deadpan Californian comic in the George Burns tradition who jazzes up his talents as a juggler with smart repartee. At times in his show at the Donmar Warehouse in Covent Garden (*which runs for six weeks*) he forgets about the juggling altogether and entertains with his guitar and some Bob Monkhouse repartee: "Why is abbreviated such a long word?"; "Why is there only one Monopolies Commission", but then the frenzy gets to him and he balances his guitar – or a tent – on his forehead.

At first Davis is too knowing *for his own good*, arm *locking* the audience into applauding his tricks. But by the end when he is standing on a be-splattered stage a total wreck with a splurge of ice cream covering his face after he has just juggled a loaf of sliced bread, the ice cream, and a squid, he becomes quite human. To add to the fun he embroils in his food juggling an innocent member of the audience.

Davis tries to make jugging the secret of the universe. "*Without juggling there* would be no gravity", he intones, believing with some justice that clipped irony is wit. Some of his sleight of hand is impressive – juggling a yolk of an egg and the stalk of an apple is not beginners stuff, and there is some edge to his handling of a scimitar, axe and a chopper.

And always there is the feeling of some manic oddball per*sonality just below* the *surface* co-ordination. A vignette involving grape juggling which leaves him cheeks bulging with fruit and moisture pouring down his shirt, and which also incorporates a hapless audience member, touches the Theatre of Cruelty, let alone the Absurd. Michael Davis is a cult figure, the good thing to come out of Mickey Rooney's short lived West End show *Sugar Babies*. He is something special, but also something strange.

To add to the bizarre Davis shares the evening with a puppeteer Bob Hartman. His quaint puppets are whimsy run riot, but there is always an audience for loveable ducks and wise cracking babies.

Antony Thorncroft

Saul

QUEEN ELIZABETH HALL

The virtues of Handel's oratorio (and virtue is what it's officially about) have long been recognised, but usually trimmed back a bit in performance; it is a lengthy score. In the uncommonly full version we heard on Wednesday, however, there were no *longueurs*, for this *Saul* was in the lively hands of John Eliot Gardiner with his Monteverdi Choir and English Baroque Soloists. It boasted a sextet of principal singers who ranged from very good to remarkable, and who took happily to their conductor's lithe, unlingering manner. A bracingly fresh performance altogether, in the best up-to-date Handelian style.

There was no adipose tissue, but much keen attention to Handel's sophisticated colours (his original "carillon" became a grand tintinnabulation here) and to his *psychological delicacy*. At Gardiner's unforced but generally sprightly tempi, the characters acquired natural utterance instead of sounding like oratorio-types, and the curious intensity of the Saul-David-Jonathan triangle got full dramatic value. It's that, after all, and not any pious moral, which lights up the tale; Goliath has been slain before it begins, and the passive David's much-praised "virtue" is never acted out. Yet it captivates *everybody, sooner or later*, and sets them all at odds.

David was sung to astonishing effect by the black American counter-tenor Derek Lee Ragin. He is a rare performer who sets a new standard: bell-like soprano tone (androgynous but not sexless, and without a trace of bleat), flexible elegance, spotless musicianship. He was complemented here to excellent purpose by Lynne Dawson and Donna Brown as the two ladies who warm to him, both rendered with full-throated grace but subtly differentiated too. For Jonathan, John Mark Ainsley's well-modulated candour needed only another ounce or two of voice to fill out his phrases; and Alastair Miles' Saul had a firm, forthright stamp, without the final hint of irrational violence.

The sixth principal was Neil Mackie, whose soft-grained tenor made a sincerely affecting High Priest (with all his newly restored music), but also marked the limits of this performance. With that role and *with the judicious commentaries* of the chorus, Handel surely intended to set the personal conflicts in a sterner ethical frame. Here the objective distancing was only half felt, for the music in question remained as lithe, easy-running and bass-light as the rest. (Which isn't to say it was treated casually: the contrasted verses of the final elegy for Jonathan, for example, were beautifully measured and welded into a larger whole.) What held the foreground was still the subjective psychodrama, precisely realised in the music and therefore quite rewarding enough.

David Murray

ARTS GUIDE

June 9-15

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the Royal Opera's 1988-89 season prestige event: the new production of *Il Trovatore* by Piero Faggioni, conducted by Bernard Haitink, with Placido Domingo in the title role, and Rosalind Plowright, Eva Randova, Sergey Leiferkus and Willard White completing the cast.
Royal Ballet, Covent Garden. On June 12 a further performance of the new full length *La Bayadère*. On June 15 the Royal Ballet performs *The Sleeping Beauty*, again at Covent Garden.
English National Ballet, (formerly the Festival Ballet), opens a summer season on June 12 with Bournonville's enchanting *Napoli* at The Dominion, Tottenham Court Road, staged by Peter Schaufuss.
English National Opera, Coliseum: David Blake's comic chamber opera, *The Plumber's Gift*. Lionel Friend conducts, Richard Jones is the producer, and the cast includes Sally Burgess, Eiddwen Harry, and Ann Howard. Also in repertory: *The Mastersingers*, with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen, and *Don Giovanni*, with Steven Page in the title role.

Paris

Grand Palais Des Champs Elysées. Bejart Ballet Lausanne presents in the framework of *La Danse en Revolution* the world premiere of *1789...et nous* with choreography to music by Theodorakis, Wagner, Ravel and African folk music (48787515).
Palais des Congres. *The Queen of Spades*. Warsaw Opera's orchestra and choir conducted by Robert Satanowski. Régine Crespin, Raisa Kotowa of the Bolshoi and Krystyna Szostek-Radkowa alternate in the role of the Countess. Porte Maillot (bookings 47581404, info 47581333).

Amsterdam

Muziektheater. Netherlands Opera production of *De Materie* by Louis Andriessen, directed by Robert Wilson, with Reinbert de Leeuw conducting, James Doing and Wendy Hill in the leading roles. (Fri, Sun matinee, Wed). The National Ballet with a Balanchine programme comprising *Serenade, Tchaikovsky Pas de Deux, Violin Concerto,* and *The Prodigal Son* (Tue, Thur) (255 455).

Vienna

Volksoper. *Andrea Chenier* conducted by Anton Guadagno, with a cast including Axelle Gall, Peter Koves and Jaroslav Stajnc. Premiere of *Elektra*, conducted by Claudio Abbado. Cast includes Brigitte Fassbaender, Eva Marton and Goran Simic. *Tristan und Isolde* conducted by Heinrich Hollreiser and sung by Gwyneth Jones, Marjana Lipovsek, Waldemar Kmentt. *Don Giovanni* conducted by Ivan Fischer, with cast including Edith Gruberova, James Morris and Istvan Gati. Also *Kiss me Kate*, conducted alternately by Herbert Mogg and Conrad Artmuller. Ballet: *Dornröschen*, conducted by Peter Keuschnig, and *Verklärte Nacht*, conducted by Ulf Schirmer.

Milan

Teatro Alla Scala. Francesco Cilea's *Adriana Lecouvreur* conducted by Gianandrea Gavazzeni. Mirella Freni alternates with Natalia Troitskaya as the tragic heroine, with Peter Dvorsky, Angelo Romero, Ivo Vinco and Fiorenza Cossotto. (80.91.26).
Teatro Lirico. Three works performed by the Scala ballet company: *Serenade* by George Balanchine to Tchaikovsky, *The Lesson* by Flemming Flindt, and John Cranko's *The Lady and the Fool* (86.04.18).

Florence

Teatro Della Pergola. Rudolf Nureyev in Flemming Flindt's *The Overcoat*, based on the short story by Gogol, to Shostakovich's music (Fri, Sat and Sun) (2479651).
Teatro Comunale. Michael Hampe's production of *Der Rosenkavalier* (sung in German) conducted by Zubin Mehta, with Kurt Rydl, Delores Ziegler, Cheryl Parrish, Dagmar von Brunewski and Anna Tomowa-Sintow (2779236).

Berlin

Opera: Theater des Westens. Roland Petit's ballet *Les Intermittences du Coeur* is revived, also a guest performance from the National Ballet de Marseille in Roland Petit's show *Java for ever* with Zizi Jeanmaire and Eric Vu-An in the solo parts.

Hamburg

Opera. Franz Schreker's opera *Schatzgräber* has regained popularity, thanks to Gerd Albrecht, brilliant as conductor with Gabriele Schnaut and Josef Protschka outstanding in the main roles. A guest appearance by the National Ballet of canada with choreography by Glen Tetley.

Cologne

Opera. *La Traviata* has Frances Ginzer, brilliant in the titlerole. *Also Cosi fan tutte* with *Ashley* Putnam, Andrea Andonian, Deon van der Walt, Teresa Ringholz and Ludwig Baumann, *Lohengrin* has a first-rate cast led by William Johns in the title role, Harald Stamm, Mechthild Gessendorf, Eva Randova and Ekkehard Wlaschiha.

Bonn

Opera. *Ariadne auf Naxos* stars Giebriele Benackova, William-Murray, Susanne Mentzer, Peter Lindroos and Richard Cowan. Last ballet performance of *Rhapsodie/Theseus* and *Ariadne*, choreographed by Yuris Vamos.

Frankfurt

Opera. *La Bohème* has fine interpretations by Gyoergyi Benza, Karen Huffstodt, Keith Olsen and Ryan Schexnayder. The successful opera debut of the Lievi brothers' *La Clemenza di Tito* production returns with a new cast led by Helena Doese, Daphne Evangelatos, Kimberly Barber and Keith Lewis. *Rigoletto*, offered for the last time this season, is sung by Jonathan Summers, Juri Zinovenko, Michal Shamir and Franco Farina.

Munich

Opera. *Il Barbiere di Siviglia* is excellently sung by Julie Kaufmann, Cornelia Wulkopf and David Hampson. *Die Sache Makropulos* will be conducted by Peter Schneider. *Der Rosenkavalier* in Otto Schenk's traditional production features Lucia Popp, Julie Kaufmann, Ann Murray and Kurt Moll. Also in repertory: *Salome* with Helga Dernesch, Walter Raffeiner and Bodo Brinkmann, and a Stravinsky ballet evening to choreography by John Cranko.

New York

American Ballet Theatre. The week features Mikhail Baryshnikov's stagings of *Swan Lake* and *Don Quixote*. Season ends July 1. Lincoln Center Opera House (362 6000)
New York City Ballet. The week consists of mixed programmes including *Stars and Stripes* and *Bolplay, Glass Pieces* and *Serenade*. Ends June 25. Lincoln Center New York State Theatre (877 4700)

Washington

Deutsche Oper Berlin. During its fortnight's visit, the company performs *Der Ring des Nibelungen* in one complete cycle. Ends June 18. Kennedy Center Opera House (254 3770).

Tokyo

Ballet Antonio Gades. Fuego (Wed) Shinjuku Bunka Centre (335 1661).

SALEROOM

Records for the birds

Christie's secured an artist record price early on in yesterday afternoon's sale of modern British and Irish pictures. "A fairy story" by Elizabeth Stanhope Forbes, showing two late Victorian girls enjoying such a story, sold for £187,000, as against a £60,000 high estimate. "A Cup of Chocolate" by Sir John Lavery, based on a kiosk in the Great Exhibition held in Glasgow in 1888, sold for £79,200, within estimate, but two other important Laverys failed to find buyers.

Christie's also sold continental furniture for £636,977 with just 11 per cent unsold. Top price was £52,800, over double the top estimate, for a North Italian walnut bureau cabinet.

Sotheby's, New York this week has started to sell off the 10,000 and more books and manuscripts collected by the late H. Bradley Martin. The first three sessions alone, devoted to bird books, has raised over $10m (£6.4m), including a record price of $3.96m (£2.5m) for a copy of the folio of the most desirable of all ornithological volumes, Audubon's *Birds of America*, with its 435 handcoloured etchings. In the same session, Audubon's journal covering the planning and first appearance of *Birds of America*, written in 1826, sold for £140,127.

On Wednesday £257,351 was paid for a first edition of *The Natural History of Carolina, Florida and the Bahama Islands*, by Mark Catesby.

Antony Thorncroft

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Brady and the banks

FROM RECYCLING in the 1970s, through rescheduling in the 1980s and debt reduction now, lending to developing countries and management of the consequent indebtedness has had one constant feature: the desire to use commercial banks for purposes the leading western governments have not been willing to pay for themselves. For all its faults, the plan advanced by Mr Nicholas Brady, the US Treasury Secretary, in early March provides the opportunity to make a belated distinction between pnblic purpose and private interest.

It is not one that either he or Mr Michel Camdessus, the IMF's Managing Director, seems to recognise. Mr Brady remarked in Madrid only this week that "now is the time for the commercial banks and the debtor nations to seize the opportunity that has been provided". Quite understandably, the hanka feel that this vaunted "opportunity" is an invitation to a puhlic execution, in which they are to be the guests of honour.

Raised expectations

For their unhappiness, Mr Brady bears mucb of the hlame. As many feared at the time, his new proposals raised the expectations of tbe indebted countries, while failing to provide resources on the scale required to meet them. The size of the gap between tbose expectations and the likely concessions by commercial banks is revealed in the corrent negotiatiooa witb Mexico. The Mexican Government wants a 50 per cent rednction in its ontstanding debt to the banks, which are offering only 20 per ceot. Despite the willingness of the international financial institutions (principally, the IMF and the World Bank) to help, the resources they can make available will not hridge the gap.

Despite these foreseeable difficulties (ones that bectoring the banks can hardly resolve), the new approach has important merits. US opposition to deht reduction has at last been withdrawn. Consequently, both governments of the industrial countries and the international financial institutions can cease their close involvement in the tortuous negotiations between the commercial banks and the indebted countries, whose main aim is to allow banks the pretence that tbeir halance sheets are not fairy stories. Instead, the industrial countries can focus on the more urgent task of helping the struggling indebted countries.

Specified role

The international financial institutions should try to reach agreement with individual countries on both an adjnstment programme and a financing plan. The expected role of the commercial banks should he clearly specified in that plan. Whether the resources of the international financial institutions should be used for debt or interest reduction is a secondary question; the answer to it depends on whether this would be more helpful than other forms of resource transfer.

Negotiatlons hetween indebted countries and the commercial banks should be quite separate from those with the international financial institutions, though the basis for those negotiations should be the plan agreed between the country and the international institutions. The banks would be told that they are on their own, though the governments of the leading western countries should make the regulatory and tax changes required to snpport tha desired flexibility.

Mexico is the test case. An innocent might expect that the US, recognising the cogency of the problem and its interest in the solution, would be prepared to advance resources on a scale required to hridge the gap between what the banks are willing to advance and what Mexico needs for successfol adjustment. Here, however, is the rub. The US hopes to achieve miracles without supplying additional puhlic resources of its own, relying optimistically on the generosity of other countries. Mr Bush should be reminded thet if his country had not been prepared to finance the Marshall Plan the struggle for Europe might not even have begun, let alone ended in victory for those on his side.

A new dilemma for Lloyd's

TWO YEARS ago, when the PCW fraud was laid to rest at Lloyd's of London, its then chairman Sir Peter Miller said the insurance market had emerged from a long nightmare. He spoke too soon. Under his successor, Mr Murray Lawrence, Lloyd's faces another damaging drama in tbe Ootbwaite affair. It requires speedy resolution before it severely damages confidence in the institution, both among its 31,000 members and among its customers.

This week, 1,612 people who belonged in 1982 to Mr Richard Outhwaite's syndicate learned that they must find £64m to strengthen reserves against mounting liability insurance claims emanating from large US industrial companies. The reason is that Outhwaite sold reinsurance policies indemnifying 31 other Lloyd's syndicates and insurance companies against claims under old policies which they had issued since the 1940s: the potential losses turn out to be disastrous.

The trouble is that nobody now *knows* how many more times Ootbwaite's members may be asked for cash to fund claims in the US by victims of asbestos-related disease, to remove ashestos from huildiogs, or to clean up toxic waste.

Legal minutiae

It is easy to become bogged down in the legal minntiae, and lose sight of the underlying difficulty. The Outhwaite débâcle reflects a wider problem affecting many other syndicates. In the 1950s and 1960s, Lloyd's underwriters became suppliers of unlimited amounts of liability insurance to corporate America. Few expected that in 1989 there would be no end in sight to the resulting claims.

This "long tail" of US liabilities is making nonsense of basic Lloyd's principles. A member should pay only his own underwriting losses, not those of otber members of Lloyd's. Tbls principle is severely compromised when members who joined in 1985 find themselves routioely asked to pay 1955's claims.

Equally central is the idea that a syndicate should close its hooks after three years, determine profits or losses, and release members from future financial responsibility. But 76 syndicates have left accounting years open, either because of disputes with Onthwaite, or because they cannot conclusively assess their US claims exposure. These open years have canght thousands of members of Lloyd's in a trap of acute financial uncertainty.

The response by the Council of Lloyd's *looks* complacent. It has rejected ontright a plan prepared by tha Outhwaita agency's chairman, Lord Havers, not surprisingly since it would have required Lloyd's to agree to fund the Outhwaite claims itself, if they exceeded a certain level. This would have smacked of special treatment for Outhwaite, something the council is keen to avoid.

Reflex reaction

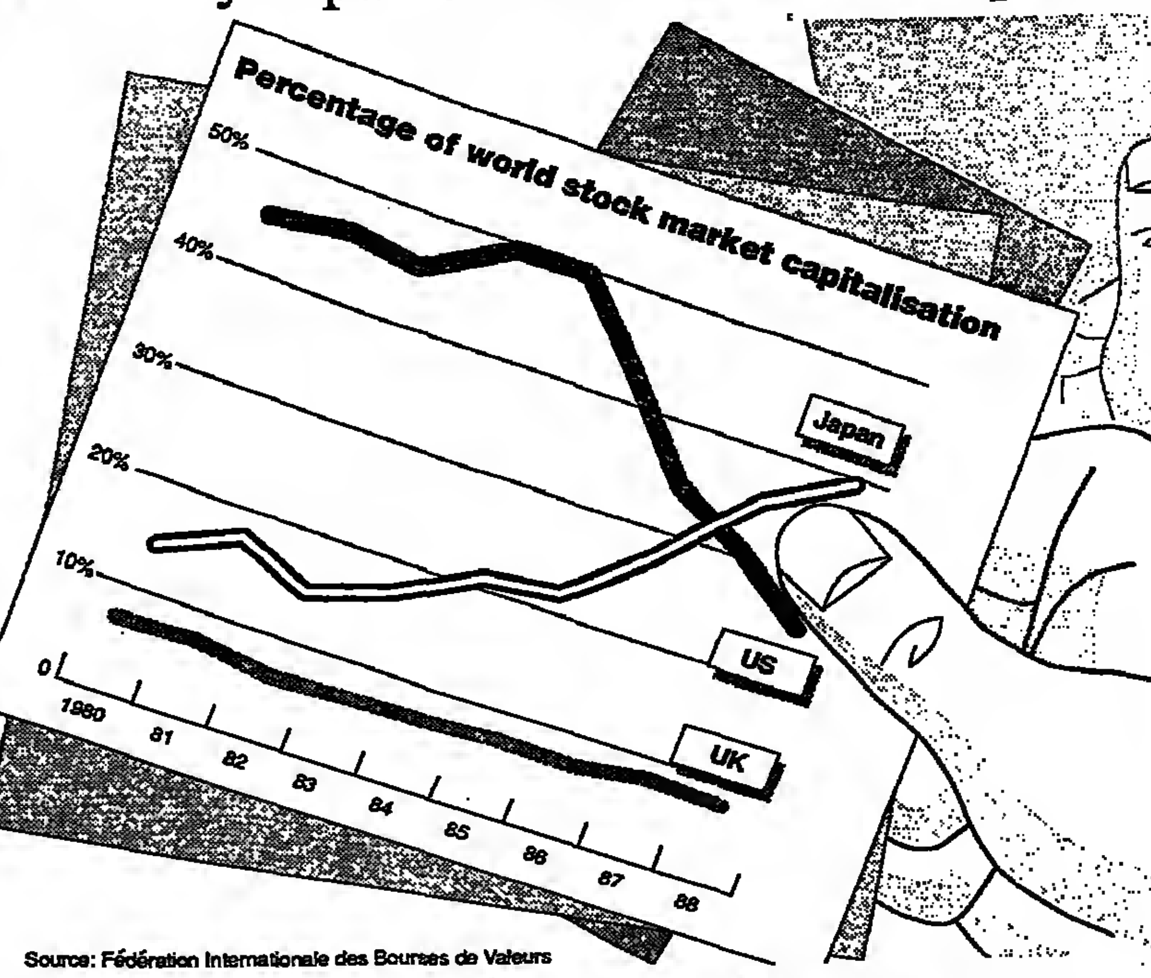
That may be understandable, but the council's decision looks too much like a reflex reaction by a conservative group, emotionally committed to worthy but possibly obsolete notions about how Lloyd's *should* work. Its own preferred solution, to ask eight of its memhers to help resolve Outhwaite's disputes with its policyholders, appears to rely too heavily on the goodwill of the old Lloyd's club.

It may be time to abandon rigid adherence to notions such as unlimited personal liahility, and to look for practical remedies. One option would be to seek a market-wide solution to the general problem of old US claims that is damaging scores of Lloyd's syndicates, not just Outhwaite's. A oumber will never actually be paid, as insurers win some legal battles. But the Council of Lloyd's must recognise that the cost of coping with what remains could be an intolerable drag on the entire market, and that the open year problem is becoming insupportable for members.

The risk of inaction is that the kind of debilitating dispute whicb is now swamping tbs Outbwaite syndicate will spread through more and more of the market during the 1990s. Outbwaite's problems are unusual but may not be unique: now is the time to consider whether something much more radical than an *ad hoc* solution is required.

Clive Wolman on why Japan's stock market is outperforming its rivals

Investing in the power of Zen



Source: Fédération Internationale des Bourses de Valeurs

To find Kozen Yoshida, you hsve to wind your way through the dingy streets north of the Tokyo Stock Exchange, up some concrete stairs and into a small apartment with stained carpet and fading wallpaper. On the desk are two statues of Buddha and a large pile of share price charts. They contain the secret.

Mr Yoshida is a wiry, wizened 75-year-old who sits precariously balanced on the edge of his chair with his lower lip permanently curled down. For 15 years, Mr Yoshida was one of the most influential analysts of the Japanese stock market. His application of Zen Buddhist philosophy to share price movements has made billions of yen in profits for himself and much more for his clients.

They still consult him daily and broadly confirm his claim to have an 85 per cent success record in his forecasts. His most recent triumph was in predicting the world stock market crash just three weeks before it came.

His method of analysing stock markets is based, he says, 50 per cent on fundamentals and spotting trends and fashions and 50 per cent on a number system linked with the Buddhist division of a person's life into three and nine. These cover the periods of birth, ascendancy and death. "When a person reaches the ceiling, he is obliged to die, when be reaches nine he falls down. Shares are exactly the same. You have to know what period they are in," be explains.

His own life has been as volatile as Japan's stock market. He made a fortune twice, as an entrepreneur running a steel factory and later as a mattress manufacturer, but lost all his wealth through unwise stock market investments. After the second disaster, he turned to Zen Buddhism, adopted a new name, Kozen, and worked for 20 years developing his own method of analysing share prices.

South-west of the stock exchange area, in the imposing headquarters of Daiichi Life insurance company, there is another highly successful Japanese investor, *Kimitoshi Hasegawa*. Small, dashing and polished, he talks the language not of Zen Buddhism hut of modern portfolio theory, asset allocation and efficient markets. "I believe that shares have inefficient moments in the day when we want to trade," he says. "Whatever I huy, I generally like to sell by the evening."

Mr Hasegawa became a celebrity in Tokyo as the manager of a fund for three years until last spring, during which time he bought and sold the value of the portfolio 21 times. Like Mr Yoshida, he believed that the market was over-valued in August 1987 and reduced his equity portfolio hy a third. Over the period, he achieved a total return of about 250 per cent, more than double the stock market average.

The importance of characters like Mr Hasegawa and Mr Yoshida is that they reinforce the image of the Japanese stock market as strange and exotic, in which the stratospberic level of share prices, and their movements, are inexplicable through traditional western tools of analysis. In January, after under-performing the stock market average in each of the last five years, western fund managers effectively discarded their traditional methods and hought hack beavily into Japanese shares, typically at twice the price at which they had originally sold them.

In the months prior to the 1987 world stock crash, the consensus in the West was that the Japanese market was the most vulnerable to collapse. But since then the market has risen 25 per cent above its pre-crash peak while most western markets are 10 to 20 per cent below theirs.

Until 1983, the prices of Japanese company shares were on average less than 30 times their current, annual after-tax profits (earnings) per share, only moderately higher than those in the West despite the faster growth prospects for Japan. But since then the ratios have soared to between 60 and 70. Even after the share price of Nippon Telegraph and Telephone, hit hy the Recruit scandal, fell by more than 30 per cent, its market capitalisation was greater than the entire London stock market.

The shares of some of the railway companies that have emerged since the hreak-up and privatisation of the Japan National Railways are priced at more than 300 times not only last year's profits but this year's and next year's projected profits as well.

The figures are so high that some securities analysts have qnestioned the entire basis on which, since the 1950s, shares have been valued. Nomura Securities, the largest Japanese securities firm, ran an advertisement in the western press earlier this year claiming that price-earnings ratios were as outdated a method of analysis as the Ptolemaic theory that the sun revolved around the earth.

But those seeking a more rational, conventional explanation have recently been provided with more ammunition by a series of studies published in January by the Japan Securities Research Institute and led by Mr Takaaki Wakasugi, Tokyo University's Professor of Finance.

Their basic tool of evaluation is the "q ratio," which expresses a share price as a proportion of the market value of the underlying assets per share of the company. Both NTT and the railways, for example, have fairly low q ratios because of their enormous holdings of land in prime areas of the Tokyo and Osaka regions. For the market as a whole, the ratio is still reckoned to be only about 0.5.

But that explanation merely opens np *another* question: whether the prices of all assets in Japan – shares, land and even art – have become absurdly inflated. Real estate prices more than donhled in tha city of Tokyo and the neighbouring areas of Yokohama, Kawasaki and Chiba prefecture *during* 1986 *and* 1987 *before* falling back slightly last year.

The valuations placed on land and on land-rich companies are high because investors expect substantial long-term gains from restructuring and putting the land to better use. *The real question is whether these* restructurings will boost earnings sufficiently to justify the high ratings.

The most popular justification for saying yes turns on interest rates in Japan. Because they have been so much lower in recent years than in the *US or UK, shareholders can take a* much longer-term view when assessing and discounting future profits. Higher price-earnings ratios are thus acceptable.

But the main reason that Japanese interest rates are so low is that current and anticipated inflation is low, just as it is in Germany, where price-earnings ratios are much more modest. Yet real long-term interest rates – which is what matters when projecting long-term real corporate profitability – are similar in all countries.

There is, however, a related argument which is more plausible. The average borrowings of Japanese companies, in relation to the (market) valne of their assets, have become mnch lower than those of US and European companies. Thus their earnings, after interest costs, are likely to be much more secure than those of western companies. This would justify a higher share price in relation to those earnings.

More fundamentally, several accounting adjustments have to be made to make the "earnings" of Japanese companies comparabla with those in the West. Most of these adjustments boost earnings and lower the p/e ratio.

- **Cross-holdings.** This is the most important adjustment. An estimated 45 per cent of the equity of stock market quoted companies in Japan is held by other quoted companies. This has two implications. It means that the claims that Japan has the world's largest stock market are overstated. This is because auch calculations count many shareholdings twice over. For example, the 5.3 per cent stake that Mitsubishi Trust holds in Kirin Breweries is counted once as part of the share capital of Kirin and once as part of the assets of the shareholders of Mitsubishi. If the double counting of all cross-holdings in the world stock market indices is removed, Japan's weighting falls to about 30 per cent (from 44 per cent) and the US rises to about 35 per cent (from 28 per cent). Cross-holdings also inflate price-earnings ratios because they lead to an understating of earnings. Mitsubishi Trust, for example, does not include in its earnings 5.3 per cent of the earnings of Kirin.

Mr Andrew Smithers of Warburg Securities estimates that if the full earnings of Japanese companies were accounted for across the cross holdings, the price-earnings multiple would fall from 60 to about 49. This explanation also fits in with the rise in price-earnings ratios since cross-holdings multiplied in the 1960s. But it does not really explain the post-1983 surge.

Other earnings adjustments stem from the nature of Japanese accounting practices. Generally, Japanese accounting practices are more conservative than those in the West, which leads to a number of other instances of the understating of corporate earnings.

- **Depreciation.** A Japanese company is only allowed to use an accelerated depreciation method for tax, for example, if it uses the same method in its internal accounts. In 1987, whereas only about 15 per cent of large US companies used a method of depreciation which was faster than straight-line, 95 per cent of Japanese companies did.

Some analysts have sought to correct this distortion by adding back the depreciation to the earnings and comparing multiples on that basis. That manoeuvre has the effect of almost halving Japanese multiples relative to western ones. But it is an over-correction. Japanese companies have large depreciation charges, partly because they write off and scrap their plant and equipment much more rapidly than in the West – and that is an important cost they incur to sustain their earnings.

- **Valuation of inventory.** About 40 per cent of US companies use the first-in-first-out method which has the effect of boosting earnings in inflationary periods whereas only about 15 per cent of Japanese companies do so.
- **Bad debt reserves.** Japanese bad debt reserves are high by Western standards. They are encouraged by tax allowances, and tend to lower Japanese companies' earnings by comparison with those of their Western counterparts.
- **Low inflation.** The very low rate of inflation in Japan also lowers Japanese companies' earnings relative to those of their Western competitors. This is because Western companies' earnings, computed on a historic cost basis, have been artificially boosted hy relatively high inflation rates since the mid-1970s.

The overall effect of these earnings adjnstments is to reduce tbe price-earnings ratios of Japanese stocks from 60-65 to about 25-30. This multiple is still twice as high as those in the West. The lower riskiness of Japanese shares and tbe greater growth prospects of the Japanese economy might justify a multiple 50 per cent higher.

But several puzzles remain. For example, many of the accounting adjustments should also be made to German companies whose shares already trade on a low multiple of under-defined profits. Modern financial theory assumes that investors can freely move their money around the globe in search of the highest returns. If asset prices in one country seem overvalued investors will start selling those assets and drive down the price until equilibrium is restored.

The vast majority of the legal and regulatory obstacles to snch mobility have now been removed, both for foreign investors into Japan and Japanese wishing to invest overseas. And foreigners have shifted their portfolios actively into and out of Japan over the last decade.

But the historic inhibitions on Japanese investment in foreign equities have weakened only slowly, creating a trap for the enormous pool of Japanese savings which has driven up the prices of shares and land. This factor, and the cultural differences highlighted by characters like Mr Yoshida and Mr Hasegawa, must explain some part of the high valuation of Japanese shares.

OBSERVER

Power by the ounce

■ Britain has won a victory in Brussels. The Committee of Permanent Representatives to the European Community (that is, the ambassadors of the member states) voted yesterday to reprieve the Troy weight system.

True, it is not the same as a derogation. The battle may yet be refought. But the ruling is that the Troy ounce will continue to be anthorised without a specific time constraint.

The British put a great deal into the struggle. Even committed Europeans joined forces in agreeing that the campaign to get rid of the Troy system in favour of going metric was pushing harmonisation too far. The City lohbied the Department of Trade and Industry, the Treasury and, not least, the Bank of England.

In the end, it was probably the Bank that counted most, for it sought and won support from the central banking community around the world. Even Brussels finds it difficult to stand up to that.

The Troy weight system was first used in the French city of Troyes in the 14th century. It hecame the main measure for denominating the weight of precious metals and gem stones. More recently, the Troy ounce became the internationally accepted measure for gold and silver. As every English schoolboy knows, one Troy ounce equals 480 grains, the basic unit of the system.

The threat from Brussels to abolish it sent tremors through the London hullion market. Abolition, said the London Bullion Market Association, would cause "expensive and unnecessary changes" to the way the market conducted its business. It also feared that the campaign to get rid of it had become tied up with a similar attempt to abolish the gill as a fluid measure, and that the ounce might be used as a bargaining chip. Still, all is now well, and the Prime Minister will not have to raise the matter at the next meeting of the European Council.

Protest mounts

■ An acquaintance recently in Peking was impressed with the great discipline with which the young student leaders organised the pro-democracy campaign from Tiananmen Square before it was put down.

A Cranfield MBA student on secondment from Lambeth Council, she went bearing badges and stickers to exchange with the students for something more exotic. The Chinese students fell npon her collection with great eagerness and then went about their business bearing such messages as: "Lambeth Nalgo says No to the cuts."

On being introduced to one of the student leaders, she was awestruck by his bearing. He stepped from a tent at tha heart of the square wearing slogan-daubed headband, and bristling with badges and Chinese symbols. In the centre of his chest, he wore a Lambeth Council sticker: "Water – Keep it Public, Keep it Safe."

Record stuff

■ The latest achievements accepted by the Guinness Book of Records include the Women's Society of the Winnetka Congregational Church, Illinois, raising $170,139.76 in a one-day *jumble sale on* May 12 1988; Surendra Apharya of Jaipur, India writing 241 characters on a grain of rice on February 25 1989; and Philip Artingstall of Fordyce, Banffshire who tossed a pancake 262 times in one minute at Fordyce School on April 28 this year.

Hats off to John Evans and Derek Denniss who told jokes for 60 hours on the trot at Sandton City, Johannesburg, September 8-10 1988. Doesn't say how good they were.

"He liked the quiz shows, soaps and repeats so much, he bought the company."

Real Mandarin

■ Sir Alan Donald, our man in Peking, does not flap. His coolness under fire is all we have come to expect from British ambassadors in distant places.

More to the point, his decision to airlift British citizens out of the capital and to send embassy dependants home tells us not only that Peking is now a dangerous place to be, but also that the outlook is bleak.

Donald, whose hobbies include water-colour sketching and gentle golf, is an Asia-hand *par excellence*. He has had two previous postings in the Chinese capital (one during the disastrous Great Leap Forward) and speaks fluent Mandarin. A charming and funny man, be has tended to take a somewhat benign view of the Middle Kingdom's stability. If his public pronouncements are to be believed, the events of the past two weeks will have come as much of a shock to him as they have to the rest of us.

Mrs Thatcher, in particular, will remember when Donald, as Assistant Under-Secretary of State for Asia, advised her to humour the Chinese leadership in the run-up to the talks which led to the agreement handing over Hong Kong in 1997. The Prime Minister ignored his advice, wagged her finger at Deng Xiaoping and sent the Hong Kong stockmarket into a tailspin.

Three weeks ago *Donald* berated the press for exaggerating the dangers of the situation. Perhaps he was unduly influenced by his staff, who refused to believe that British journalists – the FT correspondent among them – had bumped into a column of tanks sneaking into the capital under cover of darkness.

Still there

■ Peter Walker, the Welsh Secretary, is still enjoying himself. Launching the plans for the 1992 Ebbw Vale Garden Festival this week, he recalled that he was the first Secretary of *State for the Environment* when that department was created in 1970. A committee of civil servants was appointed to find a name for the new body, which was an amalgamation of transport, public works and other parts of government. The Department of Living, someone suggested. That would make Walker Secretary of State for Life, it was retorted. Walker, being a modest sort of man, says he vetoed the idea.

After Flanders

■ Graffito in the reference section of a *Hampshire public* library: "They must have been looking for something to do, The day they put 'g' in 'gnat' and 'gnu'."

POLITICS TODAY

Limitations of the UK conscience

By Joe Rogaly

What Britain is doing in Hong Kong should be plainly stated. It is handing some 5m people over to a Marxist, Leninist, thuggish, oppressive regime. That is the way it was put to the House of Commons Select Committee on May 24. The speaker, Mr Henry Keswick, chairman of Matheson & Co Ltd, justified his use of the word "thuggish" by pointing to the suppression of the revolt in Tibet, the imposition of martial law, and the existence of political prisoners. Since he spoke the world has witnessed the massacre in Peking.

Britain is thus faced with a clear responsibility. The Prime Minister, Mrs Margaret Thatcher, knows what that responsibility is. "Our first and greatest concern has to be for the people of Hong Kong," she told the House of Commons on Tuesday. "Our commitment to a secure future for them is as strong as ever . . ."

This commitment is not being met. The principal reason is that Britain is impotent in the face of Chinese military power. This time we are not faced with a bankrupt Argentina invading the Falklands, nor even friendly Spain potentially putting pressure on Gibraltar. A Chinese army that would fire on students, its own people, could not be relied upon to hold back anywhere else, yet British military forces are in no position to stop it, now or in the foreseeable future. The lease on most of Hong Kong expires in 1997 and, as Sir Geoffrey Howe, the Foreign Secretary, never tires of repeating, there is nothing that can be done about that.

What can be done, in the British Government view, is based on hope — hope that after the present upheavals a less uncivilised regime will take power in Peking. In that circumstance it would be possible to resume talks about the Sino-British joint declaration on Hong Kong's future, with its paper guarantees of certain rights until at least 2047. The internal debate about whether or not to provide an elected government for the colony, and when, can go ahead now.

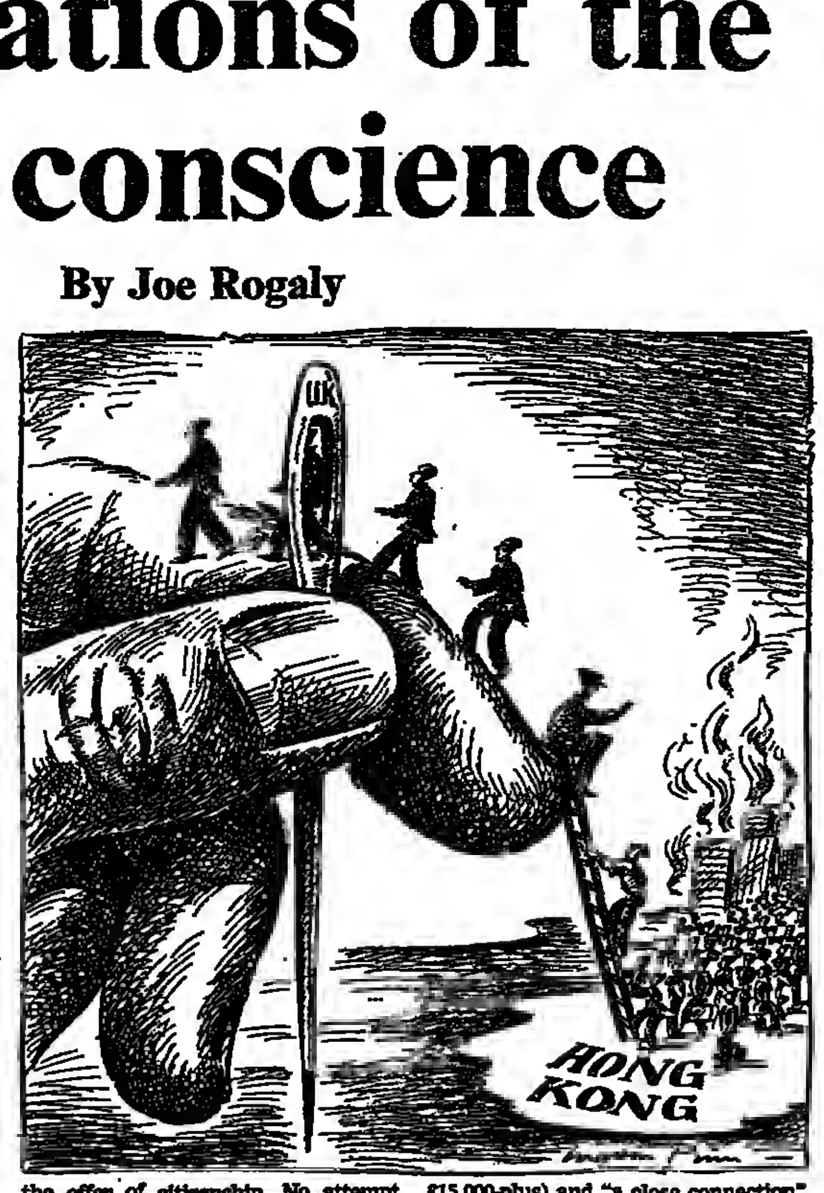
When I last visited Hong Kong, more than a year ago, the value of a democratic constitution was doubted by some businessmen and rather fewer academics. Judging by reports of the change in mood since then, there is now a virtually unanimous demand for proper self-government. It would thus behove Britain to adopt a robust democratic approach to both constitution-building and, when talks with Peking are resumed, the final text of the joint declaration. Foreign Office pussyfooting can no longer be justified by reference to the undesirability of upsetting the Chinese Government, or even on the basis of hopes for this or that Sino-British deal or trade agreement.

Such an approach should be forcefully pursued. It may produce documents that influence a future Chinese regime — if at the time Peking is more anxious to cash in on the earning power of capitalist Hong Kong than it is to maintain its own unchallenged authority throughout its domain. If, however, the Chinese go through further periodic upheavals of the kind that have characterised recent decades, we now know the danger. Joint declarations and Westminster-style constitutions may be swept under the wheels of advancing tanks. Hong Kong residents have witnessed the Cultural Revolution, the little red books, and the recent events. They can hardly be expected to bet their lives on a stable China after 1997.

Thus there is no getting away from it: they can only have a "secure future" if, *in extremis*, they have somewhere else to go. The Portuguese Government understands this. It has promised full European Community passports to the people of its colony of Macao, just across the bay from Hong Kong, before it is handed to the Chinese in 1999. In consequence, up to 100,000 Portuguese Chinese could enter the European Community, including Britain. The British Government will not follow this example, partly because the numbers are very much larger. It is thus refusing to contemplate the possibility of providing shelter in the United Kingdom for more than a tiny handful of the 3½m Chinese residents of Hong Kong who hold passports describing them as citizens of a British dependent territory. "If only it were 300,000, a nought less," one minister confided this week, "we could look at the whole problem with quite different eyes."

There is some embarrassment about this among all parties in parliament. The rescue of the East African Asians was the last noble act of decolonisation; even though the Asians who have come are an enormous asset to the British economy, nobody at Westminster wants to repeat the experience. Mrs Thatcher pointed out on Tuesday that since 1945 there have been 1.6m "new Commonwealth" (that is, not white) immigrants to Britain. This is less than half the Hong Kong potential. She did not mention the far larger numbers of Australian, South African, Canadian and other white Commonwealth immigrants, let alone the valuable east European post-war refugees.

Arguments to the effect that most Hong Kong residents could not afford the trip to Britain, or that those who do want to emigrate prefer Vancouver, San Francisco or Sydney, are powerless against this fear. The conventional wisdom, that these are energetic, entrepreneurial, Thatcherite people wins them sympathy but not



the offer of citizenship. No attempt has been made to assess how many might seek to live in Britain if all of them were given British passports. The idea of an international rescue/insurance plan, co-ordinated with the EC, Australia, Canada, the US and others has not been canvassed. The Government, with the acquiescence of the Opposition, stands firmly behind its often-stated policy of limiting primary immigration, and no exceptions.

Or, rather, very few exceptions. Gibraltar and the Falklands are two. Their people have or can have British citizenship. The other exceptions help some Hong Kong emigrés. Anyone who wishes to invest £150,000 and provide at least two jobs can have a year in the UK to prove it, and a further three years if the new business makes a good start. A person of independent means (annual unearned income of £15,000-plus) and "a close connection" to the UK can have a starter of four years. Highly trained and highly qualified persons might get work permits, depending on the current state of the labour market. After four years all migrants in the above categories can apply to stay indefinitely. The Home Secretary even acknowledges some small room for "flexibility" in applying these rules. The net result: in 1986 860 Hong Kong people were granted leave to stay. In 1987 the figure was 920; last year it was 1,150.

The official view is that concessions cannot be made to students or the 11,600 Indians and other non-Chinese in Hong Kong, because then everyone else would want the rules bent, would they not? There are, however, some other ways through. The most famous is Section 4(5) of the 1981 British Nationality Act, which allows the Home Secretary to grant citizenship to civil servants from overseas territories. During the passage of the bill the Government promised to use this provision "sparingly." It has. There have been 499 applicants to date. Citizenship has been granted to sight.

Other concessions are equally small. So far 51 ex-servicemen have been granted citizenship under 4(5), and the Home Secretary has promised to look compassionately at war widows, although the official view is that these women intend to stay in Hong Kong if they can. For the rest, the response to all pleas has so far been a simple repetition of the no-immigration policy. (Some people would justify this by the argument that there are other hard cases elsewhere who have been caught by the immigration rules — although most of these are not threatened, as are the Hong Kong Chinese.) But Mrs Thatcher now favours more "flexibility" within the above rules. There is no plan to open the floodgates, which would require a new law. It is therefore not clear whether she is talking about flexibility that would potentially admit a few dozen, a few hundred, or all the 180,000 or so staff of the Hong Kong Civil Service, plus students, technicians, middle-managers, and others who speak English and have an understanding of British ways.

The probability is that the Government is still stuck at the needle's-eye end of this highly selective wish-list. It may be moved to slightly greater openness by public opinion, and by powerful appeals like the one now being made in London by the Governor of Hong Kong, Sir David Wilson. But it remains firmly wedded to its belief that this is not a country for more immigrants, especially if they are not white. The threatened 3½m Chinese may protest that the granting of British passports with full consequential rights would merely be to give them an insurance policy, but virtually all senior politicians at Westminster are scared stiff. What if tens or hundreds of thousands of policyholders turned up? What would the voters say?

If the pressure continues, and uneasy consciences prick, there will be more debate about a decent-sized annual quota of permissions for Hong Kong Chinese to enter and live in Britain. Over seven years such a quota would have to be enormous — even 50,000 a year would exceed the number of Commonwealth immigrants who currently arrive in Britain. By 1997 that would account for a tenth of Hong Kong's British dependent territory citizens. On the basis of what was being said this week, 50,000 is not being contemplated. It should be. As to granting passports and a right of abode to all 3½m, proponents of such a move must face the fact that if the insurance was called in — if fleeing Chinese arrived in such large numbers — any imaginable British Government would almost certainly turn them back. Thus a general grant of passports could only be supported in the belief that it might help some of the recipients to use the quotas (if quotas there are to be), while others could more easily go elsewhere.

LOMBARD

Utopias past and present

By Michael Prowse

AN extraordinarily powerful and influential set of convictions about human destiny is losing its hold, claims Mr David Henderson, the OECD economist, in a lecture* given at the Institute for Fiscal Studies in London.

In his student days, he mused, the onward march from *capitalism into socialism* was regarded almost as a fact of life. Developing countries saw socialism as the natural framework for organising economic and social life. Rich capitalist countries accepted the case for substantial and gradually increasing state ownership, participation and control.

Mr Henderson makes no effort to disguise his delight at the recent decline of socialism. Indeed, one suspects he views the revival of market liberalism rather as Victorian novelists viewed marriage: a state so obviously desirable as not to require further discussion.

But his lecture is curiously incomplete. If, as he argues, socialism is such a defective doctrine, why did it exert so much influence over so many for so long? And if its utopian dreams are fading, what convictions about human destiny are taking their place? Where, in short, does modern society think it is heading?

Socialism captured the imagination because it offered an enticing conception of social and economic progress. It promised not just a great increase in material wealth, but a world where incomes would not depend primarily on individuals' arbitrary endowments of financial and genetic capital. It also talked sense about freedom — which can be measured only by the choices individuals have the power to exercise. The range of choices is profoundly influenced by a person's economic means.

The socialists saw economic growth as a means of liberating human beings from the chains of "work." With higher productivity and no fetish about the need to produce ever-increasing amounts of goods, people would be free to spend more time pursuing non-economic goals and generally realising themselves more fully.

Capitalism, by contrast, seems to offer a rather insipid future. It envisages no release from an endless cycle of competition, innovation and production. Economic output just goes on piling up for ever. Yet despite the projected abundance, there is no commitment to increased equality. Quite the contrary: incentives are regarded as an essential motor of growth, and they require inequality.

But the commitment to inequality means that poverty will never be eradicated. It will be institutionalised. Once a minimum standard of living is attained, people feel poor if they have less than their neighbours. If a trip to the Asteroids becomes a typical weekend jaunt in the 21st or 22nd century, those who cannot afford extra-terrestrial travel will be considered poor. (And they will not be comforted by the thought that they are better off than the poor of 1989).

This is not intended as a joke. In his recent speech, The End of the Road for Poverty, Mr John Moore, the Social Security Secretary, pointed out that 70 per cent of the poorest fifth of the population have a colour television. He said this to try to demolish the idea that large numbers of people are still living in poverty. Whether poverty is the right word to describe their condition matters little: the important point is that the UK is manifestly a divided society.

Take a walk around Mr Moore's own suburb of Wimbledon. You will see grand residences and mean terraced housing. The prospect capitalism offers is of an endless succession of perhaps wealthier but similarly divided societies. (The persistence of social division in the US, which is a more advanced capitalist economy, illustrates the danger perfectly.)

Capitalism is riding high. But I suspect Mr Henderson and Mr Moore are opening the champagne prematurely. It is doubtful whether hard-nosed economic liberalism will have the capacity to inspire people for more than a relatively short period. You don't have to be an eastern mystic to recognise the limitations of a philosophy built on the twin pillars of materialism and inequality.

**A New Age of Reform?*

LETTERS

Cap could be lifted

From Mr Michael Elton.

Sir, Lord Vinson's letter (June 7) is based on two fundamental errors.

The National Association of Pension Funds (NAPF) has not opposed the ceiling of £60,000 on an individual's pension tax relief, but has suggested that it be linked to earnings rather than prices.

Lord Vinson says that the Confederation of British Industry (CBI) is accepting the cap, when in fact it is proposing that it be increased to £100,000. This is no criticism of the CBI. There is more than one legitimate point of view.

Lord Vinson says that the NAPF "must not duck the social issue." With respect, the social issues are far wider and deeper than his letter implies.

Michael Elton,
Director General, NAPF,
12-18 Grosvenor Gardens, SW1

Tangled APRs

From Mrs Elizabeth Stanton.

Sir, The Retail Credit Group is not "castigating the banks for their charges" (Letters, June 2). Retailers simply argue that the price of current account overdrafts should be presented with a total annual percentage rate (APR) so that the price is readily apparent; it is for customers to decide whether they will pay it.

The Consumers' Association has demonstrated how variable costs can be. A common method of presenting the price of similar products would make for fairer competition. A "typical APR" based on a set of common assumptions, including a standard balance, would provide a realistic solution.

Barclays plastic card products do have lower APRs; so they should — they are subsidised by merchant fees from retailers. This area is fraught with cross-subsidisation. In "free" banking, the interest-free period on credit cards is subsidised by those who borrow; cash customers subsidise card users. Retailers and bankers alike await the Monopolies and Mergers Commission report on bank credit cards.

Elizabeth Stanton,
Director, Retail Credit Group,
2 Ridgmount Street, WC1

Managing employment law

From Mr Richard Brown.

Sir, Your report (June 2) that Mr Norman Fowler, the Employment Secretary, is considering new legislation to curb unofficial industrial action, again raises the point that employment legislation needs managing. London Underground's reluctance to pursue those responsible for recent stoppages reveals the difficulty in implementing, managing and policing such legislation.

Instead of more legislation, a straightforward option is to repeal that part of the 1988 Employment Act which prevents trade unions from disciplining members. To date this has allowed them to disclaim all responsibility for unofficial industrial action.

Richard Brown
14c St Paul's Terrace, SE17

Shifts in the Soviet Union

From Mr Vyacheslav Kostikov

Sir, Your correspondent Quentin Peel has joined millions of others in watching the progress of the first meeting of the Congress of People's Deputies. Everyone is agreed that a tremendous start has been made on the difficult but now irreversible process of the creation of a new Soviet society. Never in Soviet history have public opinion and social institutions changed so quickly.

The policy of perestroika has given a strong impetus to openness and democratisation, awakening public interest in politics. But the laws and decrees passed during its early years were too cautious, reflecting the political state of society which was awakened but had not yet become fully involved in the political process. This resulted in a major conflict between expectations and results.

The crisis has not deteriorated, but public awareness of it has become sharper. This led to social and ethnic friction, which has been reflected at the Congress.

But when emotions fade away and the time comes to assess its net results, it will become clear that the Congress created a new system, socialist in its philosophy and parliamentarian in political practice. This combination has no precedent in Soviet history. When in the years to come analysis of the Congress is undertaken by political scientists, not journalists, they will probably say that all the 70 years of Soviet rule were one long period of preparation for this moment.

For the first time in Soviet history supreme power is personified not by the Communist Party's General Secretary, but by the President.

The Supreme Soviet, a smaller full-time parliament elected by the Congress, is soon to discuss and endorse nearly 50 new laws and create the first ever Soviet constitutional court — the Committee for Constitutional Compliance — which will guarantee observance of these laws and their conformity to international law. Other commissions to be set up by the Congress and the Supreme Soviet are expected to become important instruments of oversight over legislative and executive power.

One of the most controversial issues at the Congress has been the question of splitting the powers of the government and Party organisations. According to the current Soviet constitution, the Communist Party is "a leading and guiding force in Soviet society and the nucleus of its political system." However, the evolution of the political system begun in 1985, towards giving all powers to the soviets (councils), is gradually shifting the centre of political weight towards representative bodies.

As soon as the Congress of People's Deputies began it became clear that it would become a significant new stage in this process. Some deputies have suggested drafting "a law on the Party." This idea will not, of course, be formalised in any way at this Congress. But the very fact that such an idea was aired at all is quite significant. The Party is already giving up its control over the economy. All economic departments of the central committee have been disbanded. The only spheres where the Party is determined to preserve its influence is ideology and personnel policy.

This and many other questions await resolution. What is clear is that this first meeting has set precedents that augur well for the future.

Vyacheslav Kostikov,
Novosti Press Agency,
4 Zubovski Boulevard,
Moscow, USSR

Consequences of debt sales

From Mr Tim Congdon.

Sir, Brian Reading (Letters, June 7) questions my statement on the monetary effect of government debt sales to non-banks.

When a non-bank agent buys government debt, it writes a cheque which instructs its bank to transfer money to a Government account. This is achieved by the bank making a payment from its balance at the Bank of England to one of the official accounts categorised under "public deposits" in the Bank of England's returns. Contrary to Mr Reading's argument, the Government does not have to "do something" with the money. After the various entries have been completed, the bank has lower assets (that is, a reduced balance at the Bank of England) and lower liabilities (reduced deposits in non-bank hands). The fall in deposit liabilities is the important monetary consequence.

Mr Reading is right that, if bankers' balances at the Bank of England fall too low, conditions in the money market will tighten. The Bank may then buy assets from the banks to rebuild their balances and relieve the shortage. These assets would be mostly Treasury and commercial bills, as he says. But the result is merely that the banks' balances with the Bank are increased and their bill holdings reduced. This change in asset composition does *not* affect the size of deposit liabilities or the money supply.

I was certainly not claiming that, if the Government sells government debt to non-banks and simultaneously buys back the same quantity of government debt from them, there are any monetary consequences. But that is hardly surprising.

Tim Congdon,
Gerrard & National Holdings,
33 Lombard Street, EC3

The sound of silence

From Mr Paul Dawson.

Sir, Without the confidentiality clauses, would the Blue Arrow and Next agreements have generated so much publicity?

Paul Dawson,
Granville & Co,
8 Lovat Lane, EC3

FINANCIAL TIMES
Friday June 9 1989

Tehran seeks improvement in relations with Moscow

By Tony Walker in Tehran

IRAN is seeking improved relations with the Soviet Union in an early sign that Tehran may pursue a more open policy towards the outside world after the death of Ayatollah Khomeini at the weekend.

However, Hojatoleslam Ali Akhar Hashemi Rafsanjani, Iran's powerful parliamentary speaker and probable next president, yesterday drew a clear distinction between relations with Moscow and those with the US and many European countries.

Accusing the US of a bullying attitude towards Iran Mr Rafsanjani said: "They had made a mistake. If they correct themselves and act as the Soviet Union is acting then relations can improve." Mr Rafsanjani's remarks were interpreted as an attempt to exert pressure on the West by "playing the Russian card."

Relations with most western countries soured earlier this year after the "death sentence" passed on Mr Salman Rushdie, the British author of The Satanic Verses. Ayatollah Khomeini said that the hook defamed Islam.

Mr Rafsanjani commended the Soviet Union for the withdrawal of its troops from Afghanistan, and for its statements that it was anxious to place its relations with Iran and Iraq on an "equal footing." He also spoke of the need for Washington to "unfreeze" seized Iranian assets in the US.

Mr Rafsanjani's call for improved ties with the Soviet Union contradicts sentiments expounded by Ayatollah Khomeini earlier in the revolution and in his will, which ferociously attacked both Washington and Moscow.

Mr Rafsanjani said that one of his priorities would be to work for an "economic boom in this country" to help alleviate economic distress caused by the long years of war.

Although he repeated Iran's existing policy of not freely accepting foreign loans, he suggested flexibility on the use of certain kinds of credits. He said: "Other ways of financing important projects are being studied." This might include payments in instalments using the production of the projects themselves. He specifically mentioned petrochemical plants.

Foreign economic attachés believe it will he impossible for Iran to finance a buge reconstruction hill without some form of external borrowing. They say that Iran's annual oil income of $11bn this year falls well short of requirements for reconstruction. Iran has nominated the next 10 years as the "decade of reconstruction."

In a wide-ranging two hour news conference, Mr Rafsanjani confirmed his candidacy for the presidency in the August elections.

He is expected to replace Ayatollah Khamenei, who is nearing the end of his second and final term as President and was chosen to succeed Ayatollah Khomeini as the country's overall leader.

Speaker Ali Rafsanjani at yesterday's two-hour press conference

Collor takes early lead in Brazilian race

Ivo Dawnay charts the first skirmishes in the presidential campaign

A FULL five montha before Brazil's first presidential election in 29 years with the whole electorate enfranchised, Mr Fernando Collor de Mello, the youthful dark-borse candidate, is rapidly becoming a verb. "Have you Collorised yet?" is now the ubiquitous question from the beer stalls of Brasília to the cafes of Copacabana.

The more the 39-year-old former governor of the tiny north-eastern state of Alagoas is attacked by politicians from left and right, the more his support grows.

Starting as a no-hoper, his support in the opinion polls has risen in three months to almost three times that of his nearest rival. From less than 10 per cent in February, the handsome (if weak-chinned) hearttbroh now has 37 per cent of voters' preferences, consigning almost all the other candidates to single digits.

Of 10 rivals, the closest is the veteran left-wing populist, Mr Leonel Brizola, with a declining 13 per cent. The high hopes of Mr Luis Inácio "Lula" da Silva, the radical candidate of the Workers' Party, appear to have been dashed by an unpopular wave of strikes.

Mr Collor's appeal lies in his image as a David standing up to the grizzled Goliath of the old establishment. The somewhat meagre stone in his sling is his highly publicised war against the "maharajahs" – the highly paid political appointees and civil servants, often with no real joh – whose salaries, most Brazilians believe, are hleeding their country dry.

By implication, he is also against everything for which Brasília now stands in the popular imagination – mercenary politicians, infinence peddling, cronyism, contracts for allies and incompetent patriarchal government.

Every day, newspaper revelations aid his cause. Last month, for example, Mr Paes de Andrade, leader of the Chamber of Deputies, attempted to improve the public image of Congress by pushing through a measure to disenfrancbise two parliamentarians who bad barely attended a session since their election in 1986.

Yet, the same day, one newspaper revealed that the wife of the leader's nephew – an air traffic controller – was to have a second joh, at a handsome salary, to ease federal deputies' ticket problems: more votes in the bag for Mr Collor.

It is far too early to suggest that the election is all but won. Brazil's 80m or so voters are known as fickle. Furthermore, the formal campaign – not least the electoral specials on television – has hardly begun.

Even so, there is a growing feeling that the Collor phenomenon is a bandwagon which only a bad accident can stop. As one hostile politician put it recently: "The only person who can defeat Collor now is the man himself."

No one sbould put that beyond him. Given his reputation as something of a playboy – when here in Rio, far from the poverty-stricken north-east – there are hopes among his opponents that his past may catch up with him.

However, his vote in 1985, in the military-imposed and now defunct electoral college, for the right-wing presidential candidate Mr Paulo Maluf is more wounding.

For all that, his fresh face and anti-ideological stance for morality-in-government has touched a strong chord in an electorate largely uninterested in subtleties and wholly fed up with the familiar warhorses.

Efforts hy Mr Brizola to paint Mr Collor as a right winger appear to have influenced nobody.

The latter's occnpation of the moral high ground has also stymied the hopes of a comeback by Mr Jânio Quadros, an elderly former president whose campaign symbol was a hrush to sweep away corruption.

Small-town mayors across Brazil, particularly in rural areas, are now reporting to state governors that they should declare themselves rapidly for the upstart candidate if they do not want to lose grass-roots support.

The one other crucial factor that could trip up Mr Collor in his early aprint towards the presidential sash is the economy.

Eyes in Brazil are now fixed in horror on the southern neighbour. Argentina, though a very different and weaker economy, has appeared through the last four years to be just a few months in front of Brazil in the losing battle with inflation.

The austral plan in Buenos Aires preceded the cruzado plan in Brasília hy a few months; the spring package in Argentina presaged the summer one in Brazil. The respective collapses of the plans did likewise.

Brazil's June inflation rate is expected to shoot up from 9.9 per cent in May to more than 15 per cent in June, and to continue rising.

The country'a public sector deficit is out of control again and monetary expansion, forced by the need to service the growing internal debt, just might trigger an inflationary explosion well before the elections on November 15.

No main candidate has expressed any coherent strategy for tackling the economic plunge. The little Mr Collor has said suggests that, beyond his attack on puhlic sector fat, he would also favour "modern" policy options such as large-scale privatisation of state industry, deregulation and efforts to encourage increased flows of foreign capital.

But these are medium-term measures, inadequate to cope with what looks like being an immediate crisis, nor do they address the problem of how to win support from an obstreperous Congress – wholly hostile to the candidate and still apparently ohlivious of any disaster ahead.

If the economic outlook is as had as some fear, hy November the electorate could choose to pass power to an older, more experienced politician who might have some chance of winning a measure of Congressional support.

There are now unconfirmed hut highly credihle reports that President José Sarney is considering a constitntional amendment to hand over power on January 1, three months earlier than the rules lay down.

The enfeebled president is said to be terrified of finding himself in the current position of Mr Raúl Alfonsín, his Argentine counterpart. Also being floated is the idea of turning Brazil's constitution into a parliamentary system, whereby the government would be headed by a prime minister.

If that were to happen, Mr Collor could find himself next year looking on from a toothless presidency – its powera devolved to a premier picked by the old establishment he is now successfully attacking.

THE LEX COLUMN

Good gasman, poor payer

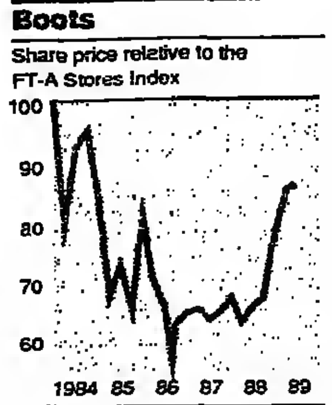
British Gas must be one of the very few Triple-A rated corporations in the world selling on a prospective multiple of 7 and yielding 6¼ per cent. A few of the big banks such as Barclays are less highly rated, but there are good reasons for this, connected with their appetite for capital and ability to lose shareholders' money. British Gas, by contrast, bas a monopoly position in a market where underlying demand continues to grow by a steady 3 per cent plus a year, and its recent financial performance is impressive.

Despite the warmest winter in more than a century, it increased its current cost attributable profits hy 9 per cent in 1988/89; and its historical pre-tax profits would easily have topped the £1hn mark had it not been for the weatber. Unlike British Telecom, which has yet to get to grips with its corporate flah, Britisb Gas has a declining workforce and its non-gas operating costs fell last year. The dividend bas been increased by 12¼ per cent and this year should grow faster than the market average. However, until British Gas can convince the stock market that it can invest its buge casb flow wisely in non-gas businesses, there is going to be growing pressure on it to give far more money back to its shareholders than at present. It could start hy buying hack some of its shares and substituting some deht for shareholders' capital.

Boots

Boots

Share price relative to the FT-A Stores Index



Not every retailer has ontperformed tbe market by 20 per cent in the past nine months; but then, the market had Boots all wrong. Its dowdiness and inefficiency are fading from memory, and it has a tradition of doing better than its sector when consumer spending turns down. It also risks being embarrassed by its cash mountain – a net £210m at the end of last year, and due to rise sharply next year when the refurbishment programme is complete.

The cash seems chiefly destined for the pharmaceutical division, where Boots is acutely conscious of its lack of distrihutive muscle in Continental Europe. All this is by way of preparing the path for the new heart drug; and if Manoplax disappoints, there is a clear possibility that the division could be sold off in the next few years. This is partly at odds with Boots' defensive claim that its industrial and retail sides are too intimately linked to be hroken up. Bat though tbe proportion of retail sales supplied by the industrial division is still increasing, the pure ethical side is detachable, and could fetch a fancy price even in the absence of a glamorous new drug.

The puzzle is in deciding how much further the shares have to go. On the basis of £330m before tax and ex-property this year, the price of 296p represents 12 times earnings. On the basis of almost static floor space, there is a limit to how far retail margins can be cranked up without the customer noticing. But Boots is now a management story, and there could be a little further to go.

Thorn EMI

It sounds a backhanded compliment, hut in a sector which yesterday saw one hroker make a massive profits downgrade for Amstrad, investors can at least be relatively confident that Thorn EMI is not storing up heart-stopping news for the future. On the horizon is the kind of pleasantly nneventful future whicb – unfortunately for the share price – has not yet quite come into its own in market terms.

Investors are certainly worried about all tbose things which Thorn ought to be proof against: interest rates, slower economic growth, a collapse in consumer spending. Thorn's rental and music businesses are snpposed to be counter-cyclical, on the principle that consumers will rent what they cannot huy, and that most teenagers prefer music to food. The third of Thorn's core businesses, lighting, is also a good deal more essential than a new video toy from Amstrad. Bnt even if all that adds up to 11 or 12 per cent profits growth this year, it is simply not the stuff of which glamorous market performance is made. The shares have managed to go almost nowhere relative to the market since the Thorn recovery story began four years ago; they should better that performance in the near term, but not by a lot.

Midland Bank

Midland Bank's financial performance may be improving, hut it has a very long way to go: and as a skilled market operator like Lord Hanson will attest, there are easier ways of making money than punting in clearing bank shares. The sector reached an all-time low relative to the rest of the market last week, but the knee-jerk reaction to the news that Lord Hanson bad departed from Midland's share register is surely overdone. There may come a time when today's clearing bank values look ridiculously cheap, but Lord Hanson, who is no slouch in such matters, clearly thinks that time is some way off. Meanwhile, the idea that he is selling out because he needs the money urgently for the big bid may he right, but the sum is of marginal relevance in the context of Hanson's £2bn cash pile.

If the Hanson stake had been passed on to another bank, the market would be correct in scenting a contested takeover bid. But if it bas indeed gone to the KIO, the implications for Midland's share price are less clear. As BP found to its cost, tbe KIO can make life difficult, and there must be a suspicion that it will use its strategic position to force the Hongkong Bank to pay a higher price for Midland, if it were ever to hid. The events of the last fortnight have underlined the vulnerability of tbe latter's long-term position in Hong Kong. But if Midland were to bid for the Hongkong Bank, the KIO's power to hlackmail would be less obvious.

Gateway

The ease with which Isosceles picked up another 10 per cent or so of Gateway yesterday suggests that its confidence is well founded. There is now an impression that Gateway is resigned to its fate; and if – crucially – the institutions are now resolved to accept 210p in the absence of anything better, Isosceles has nothing to lose since a higher offer would only mean that it pocketed the difference.

ABB in deal to re-equip Soviet power stations

By Quentin Peel in Moscow

ASEA Brown Boveri, tbe multinational power engineering manufacturer, has been hrought into a potentially huge contract for the re-equipment and modernisation of Soviet power stations, agreed between tbe Soviet Union and Ansaldo, the Italian state-owned power equipment supplier.

The deal has been negotiated rapidly, with the top priority to build a virtually new gas-fired power station in the repohlic of Armenia, to replace the nuclear station closed down earlier tbis year after tbe Armenian earthquake.

Five or six other power plants are involved in the agreement for urgent re-equipment signed last week by the Soviet Ministry of Power and Electrification with Ansaldo, its associated company Fata and Asea Brown Boveri. Part of the deal involves the transfer of ABB technology for gas turhines, steam turbines, air-cooled generators and waste heat steam generators to several Soviet manufacturers of power plant equipment.

The entire deal could still depend, however, on complex negotiations to pay for it with Soviet electricity supplied on a new power line to Italy – involving construction through all the countries in between.

The Asea Brown Boveri involvement has been negotiated in just two months to back up a joint venture already agreed between Ansaldo and the Soviet authorities, Mr Eberhard von Koerber, chairman of the managing board of ABB, said in Moscow yesterday.

The urgency of the Soviet negotiations appears to have been dictated hy a critical power shortage in Armenia, coinciding with a rapidly growing popular backlash against nuclear power across the country after the Chernohyl disaster.

Mr von Koerber declined to put a value on the deal but he agreed that it could run to "bundreds of millions of rouhles."

While some ABB gas and steam turbines will be provided under the initial agreement, part of the deal involves transferring ABB technology to LMZ in Leningrad, the hig Soviet turbine manufacturer which will eventually take over turbine manufacture.

Tbe gas turbines will be ordered by Energoengineering, the Soviet-Italian joint venture, from Ansaldo-ABB Componenti in Italy, itself a joint venture between the Italian and Swiss-based companies.

Walesa sees Polish Communist officials in post-election talks

By Christopher Bobinski in Warsaw

MR LECH Walesa, the Solidarity leader, yesterday met Polish Communist officials for the first time since last Sunday's elections in which tbe Government suffered a crushing defeat.

General Czeslaw Kiszczak, the Interior Minister, greeted Mr Walesa in the Parliament building, saying: "I congratulate you on your major election success." Mr Walesa replied: "I want to use it for Poland's benefit."

Ever since Monday morning, when the extent of Solidarity's success became apparent, the movement's leaders have been reiterating they will not join the Government.

They have also said they will stick to their pre-election pact with the authorities in which 65 per cent of the seats in the Sejm (lower bouse) sbould go to the Communist party and its allies.

Yesterday's meeting was devoted largely to deciding how to fill the 33 seats left vacant by the failure of all but two candidates on the "national list" to win the required 50 per cent plus one of the vote.

One solution is that new rules will be passed speedily by the Council of State, a collective presidency, ordering a new vote for the 33 seats in various constituencies on June 18 when the second round takes place.

Walesa: met Interior minister

In the opposition daily Gazeta Wyborcza, Mr Adam Michnik, a Solidarity leader, yesterday implied that this was essential, while on an inside page a reader's letter, in effect protesting against giving the national list a secood chance, aignalled that the issue was fuelling protests among Solidarity supporters.

Only two members of the national list managed to win election, official results published yesterday show. One was Prof Mikolaj Kozakiewicz, a 65-year-old sexologist from the Peasant Party (ZSL). The other was the head of the National Administrative court, Mr Adam Zielinski, from the Communist party.

The election results show that all hut eight of the 100 Senate seats were won in the first round all going to Solidarity candidates. In the Sejm, 165 of the 460 seats were filled on the first hallot, with 160 of those in Solidarity hands. Therefore, a second round of elections will have to take place for all the Communist and allied seats except five in which the candidates failed to win the 50 per cent.

The Communist leadership, meanwhile, is planning to hold a central committee meeting on June 28 after the second round of voting; party officials admit that a meeting now would almost certainly lead to a aerious revolt against the politburo.

The leadership is hoping to mollify its angry and frustrated central committee with consultations early next week.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	22	72	Malta	S	26	79	Rhodes	S	25	77
Algiers	S	26	79	Edinburgh	F	14	57	Manchester	C	11	52	Rio de J'o	C	31	88
Amsterdam	F	15	59	Faro	S	20	68	Manila	C	30	86	Rome	S	22	72
Athens	S	25	77	Florence	C	21	70	Melbourne	F	15	59	Salzburg	F	16	61
Bahrain	S	38	100	Frankfurt	F	12	54	Mexico City	F	31	88	San Francisco	C	12	54
Bangkok	F	34	93	Funchal	F	21	70	Miami	F	27	81	Seoul	R	15	59
Barcelona	C	17	63	Geneva	F	17	63	Milan	F	22	72	Singapore	S	31	88
Beirut		–	–	Gibraltar	S	23	73	Montreal	F	19	66	Stockholm	F	17	63
Belfast	S	13	55	Glasgow	F	14	57	Moscow	T	26	79	Strasbourg		–	–
Belgrade	F	22	72	Guernsey	F	14	57	Munich	C	16	61	Sydney	S	15	59
Berlin	C	15	59	Helsinki	R	13	55	Nairobi	C	21	70	Taipei	F	35	95
Biarritz	F	17	63	H Kong	F	31	88	Naples	S	22	72	Tangier	F	21	70
Bombay		–	–	Innsbruck	S	16	61	Nassau	C	30	86	Tel Aviv	S	26	79
Bordeaux	C	20	68	Inverness	F	10	50	New Delhi	S	37	99	Tenerife	F	24	75
Brussels	F	15	59	Islamabad	C	39	102	New York	Fg	18	64	Tokyo	S	23	73
Budapest	C	21	70	Istanbul	F	24	75	Nice		–	–	Toronto	S	18	64
B Aires	C	19	66	Jakarta	C	32	90	Nicosia	S	24	75	Tunis	F	27	81
Cairo	S	31	88	Jersey	F	16	61	Oporto	S	17	63	Valencia	C	20	68
Cape Town	S	17	63	Jo'burg	S	14	57	Oslo	C	16	61	Venice	S	21	70
Caracas	C	27	81	Lima	C	18	65	Paris		–	–	Vienna	C	15	59
Casablanca	F	21	70	Lisbon	F	20	68	Peking		–	–	Warsaw	F	20	68
Chicago	F	21	70	London	F	16	61	Prague	F	17	63	Washington	C	20	68
Cologne	F	16	61	Los Angeles	C	15	59	Reykjavik	C	12	54	Zurich	F	14	57
Copenhagen	F	13	55	Luxembourg	R	12	54								
Corfu	S	25	77	Madrid	F	24	75								
Dallas		–	–	Majorca	S	25	77								
Dublin	C	12	54	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Stora to sell match, razor units

Continued from Page 1

affected hy rising sales of disposable razors.

Stora's results for the first fonr months of 1989, also announced yesterday, showed the Swedish Match division performing strongly, lifting operating profits from SKr88m to SKr94m. Invoiced sales totalled SKr1.28bn, compared with SKr1.27bn.

Profits for the whole Stora group rose by 40 per cent for the four months, increasing to SKr1.43bn after net financial items from from SKr1.02hn. Group turnover improved by 7 per cent to SKr13.84bn, compared with SKr12.924bn.

Stora has already forecast that profits after financial items will show a substantial increase for the whole of this year. It made SKr3.7bn before tax in 1988.

The main reason for Stora's success lies in the continuing strong demand for all forest industry products, hut in particular for pulp, newsprint, fine papers and packaging.

Stora Cell, the pulp marketing division, continued to show a strong performance.

The Stora News division benefited from an expansion of newsprint capacity at its mill in Kvarnsveden by 340,000 tons annoally. For the first four montba its operating profit rose to SKr271m compared with SKr235m.

The company also announced that there had been a satisfactory performance in its building and interior prodncts manufacturing units – Swedoor, Stora Kitchen and Tarkett though demand for these units dampened down in the US, Denmark and Norway.

SECTION III
FINANCIAL TIMES
SURVEY

North West England has been recovering and unemployment has been falling rapidly. But behind the hype by people who have been "talking up" its attractions lies a basic, intractable problem of economic structure in old areas. Ian Hamilton Fazey reports.

Engine in need of more thrust

THERE ARE signs of substantial economic recovery in the English North West. Unemployment has been falling continuously for 34 months – and at an average rate of 5,900 a month during the half-year to April.

Companies, many of them national leaders headquartered in the region, are making good profits. Increasing demand for corporate finance and venture capital has encouraged further growth of Manchester's stand-alone finance sector. Chambers of commerce report buoyancy and confidenca, despite a recent slowdown.

Peat Marwick McLintock, the accountancy firm, has just reported that 84 per cent of companies turning over more than £1m in the North West think prospects for the region are "very good" for the 1990s.

A regional identity seems to be emerging, overriding traditional rivalries between the two great conurbations of Merseyside and Greater Manchester and standoffishness by the shire counties of Cheshire, Lancashire and Cumbria.

A dozen big companies, led by Mr John Ashcroft of Coloroll, are to launch a costly joint promotion of the region. Never before has the North West spoken so confidently and with one voice, talking up its successes and playing down its problems.

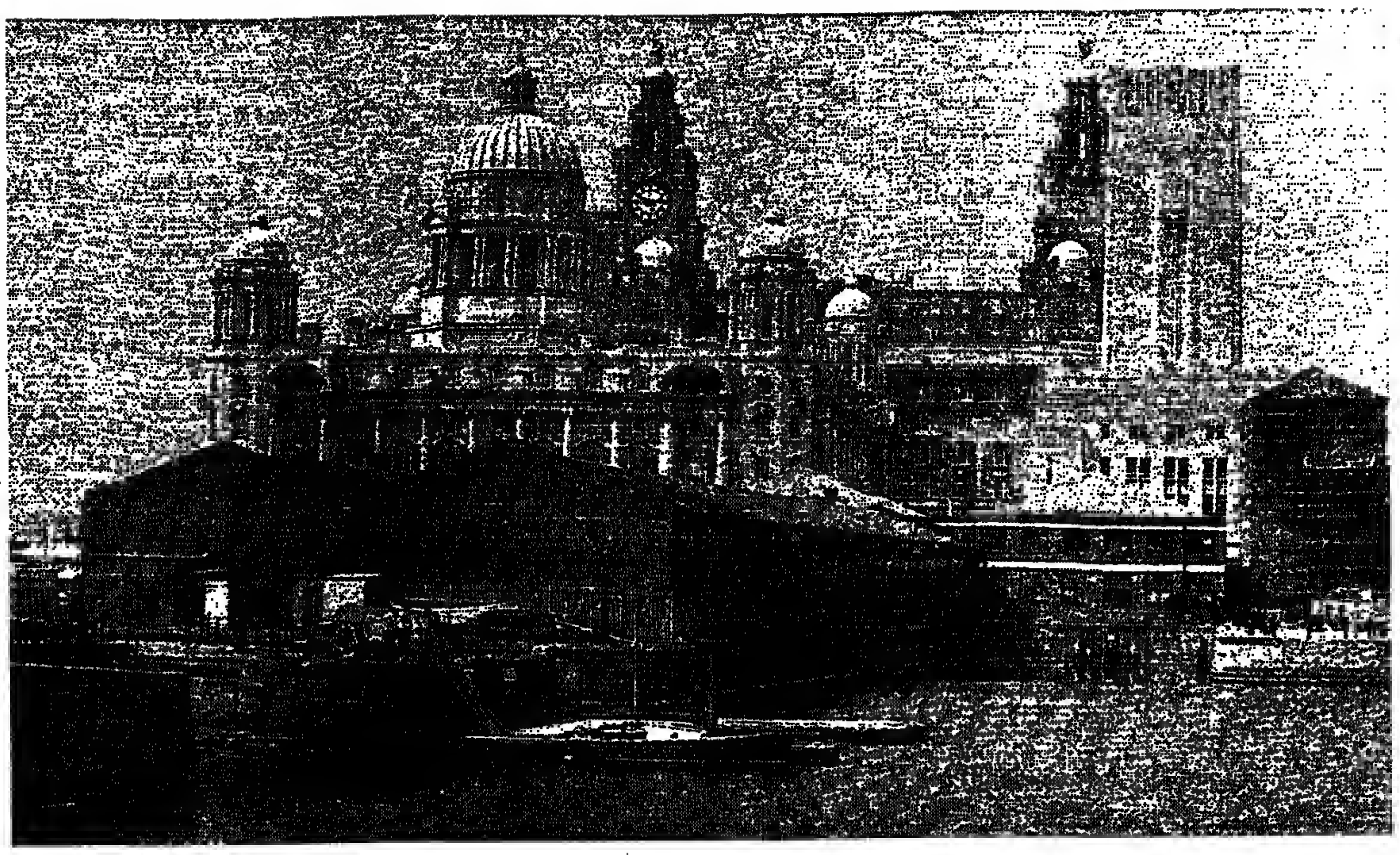
But...

Effective propaganda for potential inward investors should not be allowed to obscure deep problems too big to ignore in a balanced analysis of the region.

Nearly 7m people live in the North West – 12½ per cent of the UK's population and about 2m more than in Scotland. The region contributes 11 per cent, or about £34bn, of the UK's gross domestic product. It is one of the engines of the economy, as might be expected from its leading role in building British industrial society in the wake of the industrial revolution.

The economic structure with which it was left is the principal cause of the North West's problems today, hnt another was the recession, when it lost 333,000 – or 34 per cent – of the 971,000 manufacturing jobs it had only 10 years ago.

This compounded Merseyside's structural problems in particular as branch factories shnt down. Male unemployment there – which stood at 20.8 per cent in April – remains the largest patch of concentrated joblessness in Britain.



North West England

Mr Chris Haskins is chief executive of Northern Foods which, although headquartered in Hull, operates along the M62 corridor and manufactures in the North West. Last month he told a Bradford University conference on the transpennine regions: "The north has been doing well, but so has the rest of the economy. If you can't make money at a time like this, you never will."

The patchiness of recovery worries him; the struggle of the north's more peripheral areas to match the recovery of the centre, which comprises the better balanced economies of Greater Manchester and West Yorkshire. He wants more planning.

"As a businessman I am a planner by instinct," he says. "There is no way that market forces can develop society. We need to achieve a proper balance of planning between private and public sectors. It is much more important to have a business like mine up here than a property developer."

There is no shortage of property developers, however, and no one wants them to go away. Amec, Parc, Peel, Barratt, Lovell, the Carroll group and Cresta from the Isle of Man are among the vanguard. Scores have shown an interest in central Manchester's plans for a new concert hall and associated developments.

The area around Manchester Airport is another magnet for them. So is the recently disused northern dockland of Liverpool, where several schemes are likely to transform the fortunes of the Mersey Docks and Harbour Company, once a symbol of Liverpool's economic malaise.

The Government-hacked development corporations of Merseyside, Trafford Park and Central Manchester are vital players in much of this, clearing and assembling land – or persuading others to do so – promoting partnerahip between public and private sectors, and lubricating deals judiciously with public funding.

Nevertbeless, the North West is losing inward investment because of a shortage of suitable sites and premises.

Mr Ken Medlock, chairman of Inward, the Gnvernment-funded north-west agency for attracting new industry from overseas, puts the valne of such missed opportunity at £97m over the past three years. The projects, spread over a wide range of industrial sectors, would have created more than 1,400 jobs.

Some sources in Manchester's growingly important finance sector are worried that demand may fall. The inflation rate is not helping employers resist higher pay settlements, which will in turn fuel yet more inflation if there are no matching productivity gains.

Meanwhile, the exchange rate is not helping exporters, while high interest rates are prompting all businesses to tighten up cash flow, stock levels and borrowings. Many have been making good profits and may well have scope to absorb some of the pressures hy letting margins erode, hnt one leading member of the banking community in the region thinks the situation is approaching a knife edge.

The combined effects of the pressures, plus tough foreign competition, have already precipitated a crisis in the textiles industry. There have been redundancies – though mainly of women workers, so the effect has not shown much on the unemployment statistics. The most notable recent manifestation of the industry's difficulties has been the agreed bid by Coats Viyella for Tootal – in effect, a merger of Manchester's giants.

Mr Charles Price, who runs the Manchester office of N.M. Rothschild & Sons, the merchant bank, says: "Rents are still high enough to allow redevelopment of derelict sltes, refurbishment projects, and new building. Development activity has been spreading, which is good news because the environment is being enhanced.

"Bnt high interest rates are now a serious threat. House prices have not declined hut the residential market is slowing. This will be a dampener on economic advancement."

The North West's patterns of unemployment provide the most telling commentary on the forces at work in the region. There are two major concentrations, one in Greater Manchester, which has about 39 per cent of the region's 272,000 unemployed, and one on Merseyside, which has 33 per cent. The other 28 per cent is spread through the three shire counties.

In spite of appearances, Merseyside's is by far the worse problem because it has fewer than 1.5m people compared with Greater Manchester'a 2.5m.

According to Government's statistics, the Nnrth West's overall unemployment was at 9 per cent in April. However, the rates for men and women were 11.5 per cent and 5.8 per cent respectively.

The 8.4 per cent of Merseyside womeo registered as unemployed contributed to an overall rate of 15.2 per cent for the conurbation, disguising a male rate of 20.8 per cent. The good news is that it was nearly 26 per cent in September 1987, so there has been an improvement.

However, other areas have performed better – and they started from considerably lower peaks as recovery began in 1986. Compare Merseyside's overall rate of 15.2 per cent in April with Greater Manchester's 9.6 per cent, Lancashire's 8.3 per cent, Cheshire's 7.4 per cent, and Cumbria's 6.8 per cent.

The picture becomes even more startling wben unemployment patterns are analysed via the smaller travel-to-work areas. Liverpool's male rate is 20.8 per cent and, again, the worst. The best male rates are

Continued on Page 10

CONTENTS

Liverpool's Pier Head buildings: a symbol of rebirth?

KEY FACTS

Population:
Greater Manchester 2.58m
Merseyside 1.46m
Lancashire 1.38m
Cheshire 0.95m
Cumbria 0.47m
Workforce:
Men 1.21m
Women – part-time 0.49m
– full-time 0.61m
Self-employed 0.29m
Unemployed 0.30m
– long term 0.12m
Average weekly earnings:
Men £231
Women £153

Ian Hamilton Fazey analyses the changing economic infrastructure

Much more local added value

THERE ARE now at least 50 dedicated *venture capital* managers in Manchester running 15 locally-based funds between them. Merseyside can add another four funds, with their associated managers increasing further the pool of specialists in the region.

The figures may seem puny by London standards, but Mr Charles Richardson, Manchester regional director of Investors in Industry (3i), says they show the North West has been crossing significant thresholds in the past two years.

Deals that used to be handled in London are now processed locally, certainly for amounts up to £10m. "We are doing more and more sophisticated deals out of this office," Mr Richardson says.

The size of the local venture capital industry is something of a yardstick because it reflects demand and growth and it is an indicator of continuing change. Industry has been recovering from recession and entrepreneurs – mostly running private companies, but with a *steady stream* of them floating publicly – have been looking for capital.

Parallel with this has been investment and growth by bigger, publicly-quoted companies which have weathered the recession. They have needed to raise capital nationally but have demanded more easily accessible local professional services to help them, instead of relying on London.

This has helped Manchester to emerge even more strongly as the regional capital, with a growing financial and professional services sector of entrepreneurial venture capitalists, bankers, solicitors and accountants.

Two more international banks are expected to announce their arrival shortly to bring the number of all banks in the city to nearly 55. N.M. Rothschild & Sons has added five people to its Manchester operations in the last year to take its staff to 30.

"That's a lot of people in merchant banking terms," says Mr Charles Price, the director. "We would not be doing this other than on the basis of some very good figures we have in front of us."

As an industrial sector, finance was already the fastest growing in the North West by 1985, when its contribution to the region's gross domestic product had risen by 39 per cent over its 1971 levels. The trends that were apparent then have not changed much.

Then, only two other industrial sectors were growing: public and other services – up 22 per cent in 15 years – and distribution, which was up 6 per cent in the period. Agriculture was down 25 per cent, manufacturing by 17 per cent, transport and communications by 16 per cent and construction by 9 per cent.

Nevertheless, manufacturing was still the biggest sector by far, contributing 33 per cent of regional GDP, followed by public and other services (24 per cent), distribution (15 per cent), and finance (13 per cent). This order remains, especially as most of the manufacturing sector's *survivors* have been expanding for two years and helping to fuel the growth of finance and professional services.

What is significant about this mix in itself, however, is that it is a broad one. This matters because it meant the *region has a diverse* base on which to rebuild as Britain's economic recovery rippled northwards and westwards.

The effect has been felt most in the area with the broadest base – Greater Manchester – and least where the base is narrowest – Merseyside – but it has been real, fuelling demand that has created a stand-alone venture capital industry which was non-existent six years ago.

Overall unemployment figures suggest that the worst may have been and gone. The shake-out of jobs in the aftermath of recession was basically over by 1986, when numbers employed in north-west manufacturing had fallen from 971,000 people in 1979 to 638,000, a loss of 333,000 jobs in that sector alone.

By coincidence, *this figure* almost equates to the total number of unemployed in the region in April last year. By last month the figure had fallen to 272,000. The fall averaged 5,900 a month in the six months from last October, with job gains in all sectors.

The degree of restructuring is difficult to quantify, but anecdotal evidence abounds. A feel for the overall picture is provided by Siemens, the West German electrical engineering and electronics giant, which looks like becoming one of the North West's *more important* strategic examples of growth.

Siemens set up a workshop in Congleton, Cheshire 10 years ago. Its business was low-voltage switchgear and the bulk of its customers were in the manufacturing industry of Greater Manchester and the West Midlands. Congleton allowed easy access north or south.

"But the industry we came here to service was largely wiped out in the recession," says Mr Bernd Meloch, the chief executive of what is now a thriving energy and automation division.

When he arrived in 1983 the business was turning over £25m a year and looking like a candidate for shutdown. Instead, Siemens decided to change strategy and hang on. *It channelled investment* into electronics.

Sales are now up to £100m and there are 1,350 employees spread between Congleton, an electricity meters factory in Oldham and in sales and support around the region. The company has launched a big expansion programme. It thought of doing so in Congleton, but would have had problems. Unemployment in that part of Cheshire is below 5 per cent and labour shortages would have made life impossible.

It is therefore *expanding* in Manchester, where £12m is being spent on the first phase of new premises. Operations will continue in Congleton, where extra offices may be built, but the Manchester site will be developed for a wide range of activities, including the business's headquarters and main engineering functions.

One reason, Mr Meloch says, is to achieve a higher profile in the region through greater visibility. Congleton, a few miles off the M6, gets little through traffic – and none that could find Siemens, tucked away in a dip on an industrial estate, without a map.

The move will also help redevelop Manchester's pool of skills. Siemens employs 170 engineers in its energy and automation division now. Most will move to Manchester, where about 250 are likely to be needed during the next few years. Siemens will recruit nationally, as well as training local young people.

However, a shift will take place within the Siemens group which will be of more widespread economic significance. Siemens is transferring production work from West Germany to Manchester to turn the UK business into a worldwide exporter.

"We are committed to increasing local added value in the UK. This means much more engineering and our enlarging the manufacturing base. We are not going to be an importer," Mr Meloch says.

The effect on the local economy will not stop there, for the new Manchester premises will incorporate a customer training centre which will do 10,000 man-days of training per year. All of the people involved will need local accommodation and services while there.

"We expect to double our turnover to £200m a year by 1992 and we expect to employ between 5 and 7 per cent more people each year," Mr Meloch says.

A different, but similarly symptomatic type of restructuring of a high technology *business is already* under way elsewhere in Manchester – of all places, at the BBC.

The BBC is one of the symbols of London-centralised Britain. While its north-west region has not broken away completely, it has been given *and has* seized a degree of autonomy that is changing many things.

Mr Hugh Williams, the head of broadcasting for the region, has adopted a similar approach to Siemens when it comes to local added value. Before he came in three years ago, BBC North West was a series of wasteful parallel bureaucracies, all reporting separately to London, "with money falling through the floorboards," as he puts it.

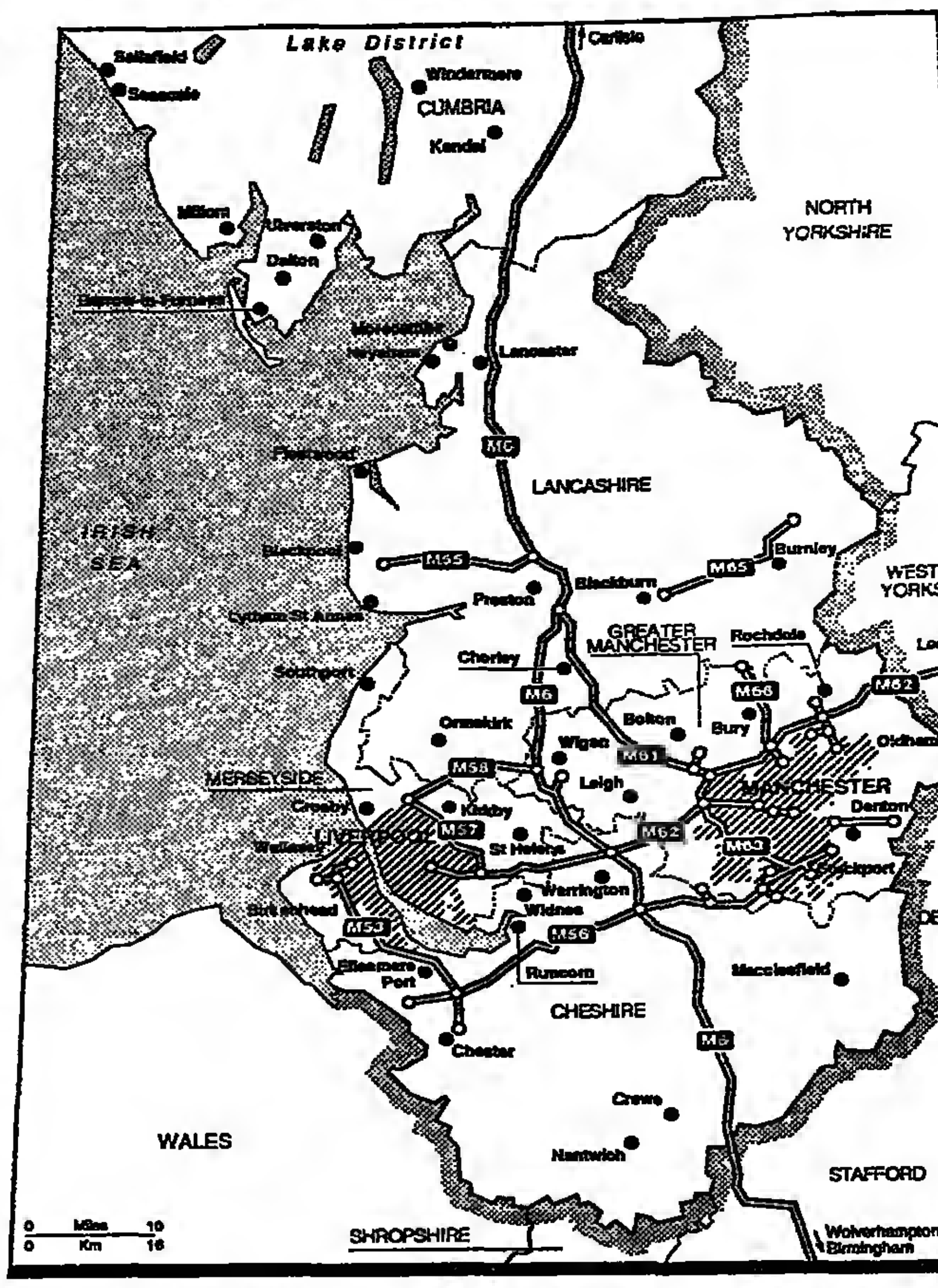
Mr Williams, a former deputy head of current affairs, runs a £40m a year budget, half of it overhead. He sees the BBC standing at the heart of the region's affairs.

"The BBC has to be part of the community," he says. "There is less stand-offishness here. We can build bridges London never can."

He admires the way Granada Television – the independent opposition channel – "has dug its roots into the region". He adds: "We have tried to prove that regions are not backwaters of the BBC but are significant units."

Important changes are under way. Mr Williams is merging the region's radio and television newsgathering services to optimise the use of resources

Continued on Page 4



GREATER MANCHESTER

Strength from a diversity of priorities

Mike Arron

Out of the nld Manchester docks came Salford Quays which helped to create a different image

GREATER Manchester draws strength from its 10 metropolitan districts which together form a unique conurbatinn. Unlike Birmingham, Liverpool or Leeds, the City of Manchester does not particularly dominate matters. Bury to the north and Stockport to the sonth have been steadily gaining population since the present borders were drawn in 1974. Manchester means a multiplicity of places, of industries, even of accents.

Some claim that the 10 districts have been working more closely since the former county council was abolished in April 1986. Without Big Brother, the community of interests can be easier to sell. The lead roles on the Association of Greater Manchester Anthorities (AGMA), and on the Manchester/Salford/Trafford hid fnr European funding, have gone outside Manchester itself.

Strength is also weakness in the sense that the city centre, though a great employment magnet for the districts, must compete with major retail attractions such as Bolton, Oldham and Altrincham. Out-of-town superstores, yet to be approved by the Environment Secretary, will further complicate the equation. Bnt parochial allegiances are being eroded hy a realisation that the connty area, and tha North West, has a struggle on its hands to maintain even its present modest place in the aggressive Europe of the 1990s.

A person well-equipped to assess this struggle is Mr Alan McGarvey, managing director of Greater Manchester Economic Development (GMED), the agency created hy the former county council to help indigenons husiness. Mr McGarvey, previously head of the Greater London Enterprise Board and a north-easterner by birtb, can be dispassionate about what he finds.

"People look around and see firms or places doing well. Companies are generally still bullish. *Because of the visible* signs of recovery we are beginning to believe our own hype and feel that problems have been solved. They haven't.

"Research shows a levelling ont of capital equipment investment. There are doubts about added-value productivity per employee. Yes, there has been improvement in the area – but no more than elsewhere and we are losing ground to some other regions."

Manchester, Mr McGarvey agrees, has to be a strong contender in the race for relocation investment. But is it the right sort of relocation? "Top people seem quite happy to transfer clerical jobs; they are less so when it comes to research and development; as for themselves, they will make sure to keep their jobs and the power in London."

Part of his mission, Mr McGarvey implies, is to shake the complacency bred by soaring commercial property prices. He warns of the fickle nature of London-based developers. More seriously, he foresees major opportunities being lost around the county – where there is any amount of potential industrial land – because the private sector is unwilling and the public sector unable to put together packages requiring substantial infrastructure investment.

"There is no evidence to show that the private sector can handle land aasemhly. Land banking is happening, with developers hoping to ohtain planning permission for B1 (high-tech and office) use when the demand is for industrial sheds. Meanwhile the local authorities are running out of sites to market. Unless the land issne can be handled there's not much point in us all singing Greater Manchester's praises."

An opposite viewpoint comes from Simon Sperryn, chief executive of the Manchester Chamber of Commerce and Industry. Mr Sperryn has the advantage of a cool eye, having arrived three years ago.

"I'm sure it's a real revival," he says. "Manchester is different from Birmingham and the other hig regional cities. It had to cope with a withdrawal from international prominence when it was the centre of the world textile industry. There has not just been restructuring: it also involved the acceptance that Manchester is now simply a major metropolitan centre.

"I arrived towards the end of the recession, and have only witnessed recovery. But what comes through to me is the hroad base of the Manchester economy. I also see regeneration on a big scale with masses of opportunity. We have the combination of hnge investment growth and, for the moment, cheap space on offer.

Manchester means a multiplicity of places and of industries

"Manchester has a different feel to it than the other regional centres. Birmingham, for instance, is big enough on its own to dominate the Midlands. The city of Manchester doesn't overlord the county or the region in the same way, yet Manchester is tha nearest thing we have to a northern capital."

Mr Sperryn believes what Greater Manchester needs is an economic strategy, with the 10 districts forgetting their differences and pooling resources. "It's here the local authorities must take a lead. Local government is a vital partner in development, hut in a strategic or supportive role rather than providing services."

But the slimming down of economic development units around the county districts suggests it is Mr McGarvey's voice that is being heard. Emphasis is switching to provision rather than promotion.

All over south Manchester, where the greatest pressure is, pockets of land are cropping up *and being passed off as business* parks. Manchester itself is marketing several sites of up to 10 acres each in the Wythenshawe area, close to the airport. Mr Colin Fishwick, from the city's economic development team, reports he is handling more relocation inquiries than ever before.

At Tameside, the arrival of the M66 Manchester outer motorway, now linking with the M67 Hyde bypass, and the likely privatisation of North West Water, hava hrought about the possihility of a regional business park based around the Audenshaw reservoirs.

The site is under feasibility study by Bernard Thorpe and Building Design Partnership and awaits a davelopment brief, hut Sandy Booth, Tamesida's economic development officer, believes his council will be favourably disposed. Sailing amenities in the reservoirs might even be linked to Manchester's Olympics bid.

Tameside's other major initiative is a proposed Channel tunnel freight terminal at Dukinfield where the council, in asaociation with a developer, is abont to make the remaining acquisition needed to complete the 43-acre site. Mr Booth sees Dukinfield as the prime Greater Manchester candidate, and believes because of its location the terminal could also ha of interest to West Yorkshire freight forwarders.

Rochdale, too, has a site identified for a strategic business park at Kingsway, close to Junction 21 of the M62 where it would have its own access. The 400-acre site is largely still in multiple private ownership, but Mr John Goss, Rochdale's economic development officer, says the planning concepts are coming to fruition and that a number of developers have shown interest in forming a consortium. Mr Goss feels that City Grant should be available at Kingsway to help with infrastructure.

Rochdale finds its sustained activity over the past couple of *years has left* few availahle sites but, at 12 per cent, relatively high unemployment. Oldham has lower joblessness and a wide spread of employers, but is faced with major reclamation before sites like the former Chadderton power station can come into play.

Oldham's hest-known new site is at Hollinwood, whare the Maxwell Communications Corporation has a £42m printing centre replacing Withy Grove in Manchester. Plessey has huilt a microelectronics research facility at Hollinwood and F.M.L. Siemens is mannfacturing electronic flow measurement devices. Siemens is also abont to huild a new regional headquarters for its energy and antomation group at West Didshury.

Bolton recently completed an economic strategy review looking towards 1992 which *takes into account the improv*ing, hut still problematical, employment climate and dwindling local authority resources. The hornugh still has large numbers of redundant mills and older properties where space is on offer for as little as 5p (sic) a square foot.

In Stockport development pressures look likely to send the borough into the next century without much hacktracking. Stockport plans a small hnt significant high-tech park on what was once a prohlem housing estate hut has become a communications dream with, the hlurh says, the motorway on the doorstep, BR's electrified London line three minutes away and Manchester Airport six minutes (allowing for poetic licence).

Stockport already has the lowest unemployment in the county at 5.6 per cent and claims a ready supply of labour because 40 per cent of the workforce commutes. The borough's buoyancy, and its individuality (try the market on Saturday morning for country produce and local colour), points up Greater Manchester's potential once strnctural demands are met head on.

Robert Waterhouse

MANCHESTER'S INNER CITY

Planners in search of a new image

AMID optimism about Manchester's role as the North West's regional centre, problems of its inner city areas – shared between Manchester, Salford and Trafford – prove persistently hard to solve. All the activity in the commercial core, the development corporation projects and the enterprise zones has as yet little relevance to the pool of long-term unemployed who exist in substandard housing estates with crumbling health care and declining social services.

This inner city area is still home for some 300,000 people, despite hnge population losses during the slum clearance programme of the 1960s and early 1970s. Unemployment rates have run at more than twice the national average for the past eight years.

It is hardly surprising that many regional centre jobs are beyond the reach of inner city residents. In fact, residents comprise just one quarter of the workforce, typically in *low-paid* or *part-time posts*. They participate in a dependancy culture: an estimated 40 per cent of tbeir personal income is derived from state benefits.

With the clear-out of Manchester's inner city and its industry came structural change in employment sectors. Between 1971 and 1984 the number of manufacturing jobs halved to 70,000. This reflected the dramatic decline of Trafford Park and East Manchester and the loss of many small husinesses. Even service jobs fell by 11 per cent; the only growth sector was financial and professional services, at just three per cent.

Inner city malaise is not a numbers game. The percentages represent an all-too-harsh reality, whose contrast with the dynamic city centre is there for all to see. The Victorians built high-density terraces for the working classes within apitting distance of Manchester'a centre, hut protected middle-class sensibilities by lining the main routes into town with shopping facades. Even now, planners talk about greening rail corridors and major routes like the A6 to improve image.

Image, of course, is crucial in enticing investment to the fringe areas. And environmental works have a measurable impact. Much of the initial cash spent by Trafford Park Development Corporation is going into landscaping. Central Manchester Development Corporation has a major challenge in improving first impressions of the city from Piccadilly Station. Manchester badly needs puhlic open space which adds to its amenities and does not simply collect litter.

Salford was faced with a different dilemma. Strictly speaking, it had no city centre. The inner areas were too close to Manchester. When the larger, metropolitan borough was created in 1974 Salford shifted its administrative base to Swinton.

The city's bid for a different image has focused on the creation of Salford Quays from the redundant Manchester Docks. There has also been systematic conversion of the older council blocks, and some terraces, hy housing associations and private developers.

Planners talk about greening rail corridors and major routes

Salford Quays, together with the nearby booming enterprise zone, represents the new inner Manchester shown to the growing numbers of visitors considering investment in a conurbation with undouhted potential. Yet the opposing depressed view sketched out above forms the case for EC funding at present under negotiation with Whiteball and Brussels in tbe shape of the Manchester/Salford/Trafford (MST) integrated development operation programme for 1989-1993.

The programme, confined to the inner parts of the conurbation, bids for £100m of European Regional Development Fund cash plus £19.5m from the European Social Fund over tbe five-year period. This would secure an estimated £450m total investment – including £200m from the private sector. Spending is planned on industrial area rejuvenation, roads, environmental improvement, tourism projects, new husiness development and training services.

After a lengthy gestation process, which included rewrites at Brussels' behest, the programme was signed by the Inner Cities Minister, Mr David Trippier, and agreed in principle by the European Council of Ministers last autumn. Meanwhile, the Community's priorities have been changing to reflect the accession of less developed Mediterranean economies. There will be less on offer to the older industrial areas such as Manchester and Merseyside.

So MST, along with Merseyside (who have a parallel hid) and other UK mainland areas await the outcome of renewed debate hetween Brussels and London. Officially, they remain hopeful of receiving the full amounts; unofficially they will probahly he pleased to obtain 60 per cent. As to the time scale, realists are talking about final approval hy the end of the year – whicb makes nonsense of the 1989 costings (1988 and 1989 in Merseyside's case).

And if Brussels should back away, then a body of Manchester opinion feels the Government is duty-bound to fill the funding gap on projects which have Whiteball's blessing.

An important element of MST is the partnership it represents between three local authorities of disparate character. Manchester, tbe big sister, has a city centre bursting with commercial activity run by a Labour council whose effective opposition comes from within.

Salford elects an old-fashioned Labour regime apparently prepared to back any measure which hrings prosperity to the city, while Trafford is narrowly under Conservative control after a parental revolt at plans to scrap the grammar school system.

As the two UDCs begin to show results, as better communications in East Manchester open up major sites, as the Metrolink supertram is built and the universities develop direct involvement in local industry, the inner conurbation could start to mirror the city centre's energy and the affluence of outer suhurbs.

Robert Waterhouse

LANCASHIRE

Turnaround in fortunes

LANCASHIRE begins as the urban conurbations of Merseyside and Greater Manchester end. A sprawling county of less than 1.5m people, it spreads from Skelmersdale in the south to Carnforth in the north, from Blackpool in the west to Colne in the east.

Much of the population is concentrated around a central industrial belt from Preston to Nelson, an area with an urban aspect at odds with the surrounding towns and villages.

Visitors seeking evidence of the decline of traditional industries will not go away disappointed, but their predominant impression may be of a county that has emerged confidently from a historic realignment of its industries.

A terraced house in Blackburn can be had for as little as £10,000, but at Clitheroe, a 20-minute drive away, a similar house will go for £40,000. In some of the more salubrious villages around Lancaster, and in parts of Lythan, prices can be as high as those in the south.

The early part of the decade was one of severe industrial retrenchment. Output fell twice as fast as anywhere else and productivity fell to 15 per cent below the national average. Between 1982 and 1985 Lancashire's performance was below the average for manufacturing nationally.

The problems were structural. During the 1960s, the Lancashire cotton and allied textiles industry had 190,000 employees; today there are probably fewer than 25,000. Despite widespread job losses in other industries during the early 1980s, unemployment in most areas is now comfortably below 8 per cent.

The turnaround began in 1986, when total output of Lancashire manufacturing expanded by an astonishing 11 per cent, at a time when growth nationally was minimal.

The increase was due largely to the aerospace industry, based around Rolls-Royce aero engines at Barnoldswick and BAe at Samlesbury. The industry, which accounts for one-fifth of the county's manufacturing output, increased productivity by 50 per cent in a single year. These increases have not continued on the same scale, though steady year-by-year improvement has brought manufacturing output to above pre-recession levels.

A more fundamental and impressive change has been the decline of an expanding manufacturing base as a proportion of total industry.

The growth of the service sector in the county has been considerable and, although in certain parts of north-east Lancashire more than 80 per cent are employed in manufacturing, the figure for the county as a whole is now less than 33 per cent.

Tourism, based around the resorts of Blackpool and Morecambe and the Bowland Forest, is now the area's fastest growing industry. Europe's largest theme park is planned for Accrington, where tourists will enjoy the dubious delights of indoor, real snow ski slopes. Along the Leeds-Liverpool Canal, industrial heritage centres appear to spring up daily.

Preston, the county capital, has emerged as an important sub-regional administration centre, providing the county with financial and professional expertise. The new Fishergate retail centre is also challenging the shopping facilities of Greater Manchester.

The success of the policy of encouraging diversification into new industries has been due to political co-operation within Lancashire County Council and to a range of enterprise trusts, enterprise zones and first-generation development corporations at Skelmersdale and Central Lancashire.

The key input has come from Lancashire Enterprises Limited (LEL), the county council's economic development arm, which under Mr Jim Mason, chairman, and Mr David Taylor, chief executive, has proved remarkably adventurous.

Since its formation, in 1982, it has invested directly in dozens of companies and has helped hundreds of others through initiatives such as the Lancashire Rosebud Fund and the North West Regional Fund – both aimed at providing capital for small businesses. According to Mr Taylor, the agency has so far secured more than 8,000 jobs, a significant number within a total work force of nearly 650,000.

He puts the agency's success down to a willingness to take chances and a pro-active involvement in all aspects of economic development. "We are quite unique, in that we offer property development, training, business expertise and investment. It is a comprehensive package of help," he said.

"I think we have also tended to take the long-term view, rather than aim for immediate success, and that has been a strength."

The belief that the Lancashire economy can only grow as part of the unified North West makes him an advocate of a regional development agency along the lines of those in Scotland and Wales. LEL is also ready to look outside the county for investment opportunities.

An attempt to rescue the Manchester-based North West Times, the regional daily newspaper, which closed last November, showed a somewhat audacious interpretation of the agency's role. This wider strategic view is likely to become predominant.

LEL is also one of Lancashire's largest developers, with more than 1.5m sq ft under development. This provides a rental income of close to £2m a year.

Politically, it has never been easy to read Lancashire. The county council is Labour-controlled, thanks to a couple of gains in the May elections, but in the more rural areas the Conservatives dominate. The three main party leaders on the county council are all women. On a national level, Jack Straw (Labour, Blackburn) and David Trippier (Conservative, Rossendale) provide the most public voices for the area's aspirations.

Many of these aspirations are the subject of fierce political debate. Conservatives will point to the thriving enterprise culture in the area, the increase in manufacturing output, and the resurgent service sector. Labour supporters see the pockets of high unemployment in the industrial towns, the disadvantaged large ethnic Asian minority in the north-east and below average levels of capital investment.

The real picture is probably somewhere in between, but even this represents a remarkable turnaround for a county where recession hit earlier and harder than anywhere else in the North West.

Martin Regan

CUMBRIA

Dual outlook stunts growth

IN 1974, the boundaries of Cumbria were drawn up from the former counties of Cumberland and Westmorland, part of Lancashire and a small trace of West Yorkshire.

Geographically, the changes appeared logical but the unique topography of the area has generally thwarted all attempts to create a unified county.

Many parts of the Cumbrian economy, particularly in the south, have closer links to Lancashire than to the rest of Cumbria, while the area's administrative centre at Carlisle looks towards the north-east for professional and service expertise.

This duality in outlook has not been missed by the Government. The county is regarded as part of the North West for most administrative purposes but for national statistics included in the northern region, where its relatively low unemployment rate of 6.8 per cent can have the most beneficial effect.

The county is divided into six districts: Allerdale, Barrow-in-Furness, Carlisle, Copeland, Eden and South Lakeland. Carlisle, in the north, and Barrow, in the south-west, are the dominant economic and political centres, but are separated by the Lakeland fells.

The physical barriers to unity are perhaps less important than the spiritual. Few people from Barrow think of themselves as anything other than Lancastrians; the same is also true in South Lakeland.

Cumbria is not a farming economy and has less than six per cent of its workforce employed in agriculture, though in Eden this rises to 18 per cent.

Like other parts of the North West, traditional heavy industries have provided the staple jobs in the region. Shipbuilding, chemicals and shoe production continue to provide significant employment, as does British Nuclear Fuels Limited at Sellafield.

Although the service sector now employs 57 per cent of the workforce, much of this is down to tourism; there is little professional and financial infrastructure.

Tourism, in a county which has the Lake District National Park, Eden Valley and part of the Yorkshire Dales, is an important part of the economy yet its benefits can be exaggerated.

Tourism provides more than 22,000 jobs but closer examination of this figure reveals that fewer than 10,000 are permanent and that many of the seasonal vacancies are taken by outsiders.

In Barrow-in-Furness and nearby Dalton, 57 per cent of the workforce is employed in manufacturing. In Whitehaven, the figure is 54 per cent. This may be contrasted with the figure for Carlisle, which enjoys the benefits of being on the M6 industrial corridor, of just 29 per cent.

The west coast, from Barrow to Silloth, suffered badly from the decline of the steel and coal industries and although things have improved this has been the result of individual initiatives rather than any overall strategy.

Cumbria County Council, n hung council with Labour and the Conservatives each with the same number of seats, has pursued a range of economic initiatives, but the poor spread of industry has made the main goal of diversification elusive.

Unemployment in Workington, at 12 per cent, has steadily declined from its high point of 7.5 per cent in the mid-80s. Much of the reduction is due to the council's regeneration of the former iron works at Derwent Howe into a retail and industrial park, a scheme which has so far created more than 700 new jobs. The area is part of the West Cumbria enterprise zone.

However, the most blighted part of the county, the Raffles estate in Carlisle, continues to remain stubbornly unmoved by economic initiatives and has male unemployment rates of up to 30 per cent. In the more affluent towns of Kendle and Grange-over-Sands, unemployment is generally below four per cent.

John Burnet, the county's director of economic development, admits that the complexity of the local economy has made progress difficult.

"You can't really say Cumbria has one economy. There are a mix of industries and certain parts are over-dependent on single employers," he said.

"We have suffered badly from the decline of heavy industry but do not think that this will decline much further. There has been a lot of success in drawing new companies to the area because what we are offering is a quality product. We have a highly-skilled workforce, particularly in places like Barrow and Workington and we need to sell on that."

The fortunes of Barrow over the past five years have been the barometer for the entire county.

Unemployment has declined steadily to 7.1 per cent, mainly due to heavy capital investment by manufacturers in the early 80s.

VSEL, formerly Vickers, has spent an estimated £230m on improving efficiency, while further significant capital investment has been made by most other major employers. Glaxochem, of Ulverston, has recently announced plans for a £45m investment in its plant.

Central parts of Barrow do have unemployment rates of between 15 to 29 per cent but the economic picture is generally bright.

The town's fundamental weakness is its dependence on one employer. VSEL employs more than 13,000, 50 per cent of the Barrow workforce and probably indirectly supports a further 2,000 jobs. The company itself is dependent on defence spending.

The 1988 strike at VSEL highlighted the town's vulnerability and led to the creation of technology transfer initiative. This involves VSEL, Furness Technology Centre and the town council. The DTI is considering funding the initiative.

Stuart Klosinski, the council's industrial development officer, argues that although the problem is pressing, a range of initiatives is being undertaken.

"We enjoy good relations with VSEL and they are more than aware that something needs to be done. It will obviously be a long, slow process but things are moving," he said.

The more immediate threat to the local economy will come with the wind-down of the construction programme at BNFL, Sellafield. Although precise figures are difficult to find, around 5,000 Cumbrians are employed on construction work at the plant. By the mid-1990s, this figure is likely to be fewer than 1,000.

The number of small businesses in the county is growing, helped by the newly-formed West Cumbria Development Association, an enterprise trust formed to promote an entrepreneurial climate.

Tourism remains the strongest card in the county's hand and efforts are being made to spread the benefits away from the Lakeland core.

Project Furness, a £10m land reclamation at Barrow, will include a number of leisure and tourist-related schemes. Improvements to the A590 are also planned as an aid to tourist traffic. "The priority is to take the pressure off the centre and channel it into Barrow and West Cumberland," explained Mr Burnet.

For an economy so over-dependent on a handful of employers, tourism remains the only short-term option. In the long term, the scale of the diversification needed to create a balanced economy may prove beyond the county, which has a workforce of fewer than 250,000.

Martin Regan

Added value

Continued from Page 2

while broadening journalistic flexibility and career opportunities for the individuals involved.

The BBC employs about 1,200 people in the region now. "But many more will work for us in the coming years," Mr Williams says – though not directly but through much greater use of independent production companies.

While the independents are seen as a threat to BBC centralism in London, "we see them bringing in new talent," he says. "The more work we can attract to the region, the more we are helping ourselves."

He sees Manchester as the metropolitan capital of the North West, in the same way that London is of the South East, creating work and spawning supporting services locally, not going to London for them.

By adding more value to the BBC's operations locally, he ensures that the regional economy benefits accordingly.

Such developments – whether at Siemens, the BBC or among the growing Manchester-led finance sector – are a growing form of regional autonomy, promoting a self-sufficiency that was not possible less than 10 years ago.

Career progression does not now mean an automatic drain of managerial, professional and creative talent to London. Smaller businesses are thriving in well-researched niche markets and can tap into regionally-based sources of capital for expansion, instead of going cap in hand, often unsuccessfully, to London funds managed by people who know little about the north.

Most of the people involved say that the restructuring of the north-western economy has some way to go and still needs to feel a little too much warmth from the South East not to shiver, but all agree any southern vision of the region as a vast branch economy is now very wide of the mark.

LIVERPOOL

City centre revival is crucial to prosperity

"OUR image problem is about persuading people to look behind the stereotype." The words are those of Mr Keva Coombes, leader of Liverpool City Council, but they could as well come from Mr Geoffrey Piper, senior Liverpool partner at Deloitte, Haskins and Sells. Mr Piper heads the Business Opportunities on Merseyside (Boom) initiative, the prime aim of which is to involve decision-makers in the area. The public and private sectors have much in common, and much mutually at stake, in Liverpool today.

Their proposition, endorsed by the Merseyside Task Force (MTF), Merseyside Development Corporation (MDC) and Merseyside Chamber of Commerce and Industry (MCCI), is that the local economy continues to improve, as does the city centre. Labour relations are good, company profitability is ontstanding, and opportunity beckons.

Confidence is all-important. In the aftermath of Hillsborough one detects a genuine desire by community leaders to work together. But problems lurk behind the joint facade. The most immediate may stem from a national dock strike, and the likely involvement of Liverpool dockers could annul years of close co-operation between management and workforce. Another problem centres on Mr Coombes's vulnerable position, especially with the 47 surcharged former city councillors eligible for re-election in 1992.

The agreed public relations stance tries not to mention that male unemployment runs at 21 per cent; that Liverpool has among many other problems a backlog of £300m on council housing repairs and 4,000 unlet properties; that it has more rented than owner-occupied accommodation; and that house prices are about half the national average.

Mr Keith Robinson, MCCI's director, sees impending tragedy in the docks. "We have close links with the unions and were rather saddened by the way the Government is arbitrarily seeking to end the dock labour scheme. It had to go, but we would have preferred it to have been negotiated away."

Mr Robinson has no doubts about the port. He relates how a few months ago the world's largest roll-on, roll-off cargo ship arrived at Seaforth on a high tide. It was met by 1,000 Jaguar cars awaiting export on the dockside, which were loaded in time for the ship to sail by the next tide. "That by any standards shows the efficiency of the dockers," he says.

Mr Coombes, who practises as a solicitor each morning, runs a lively administration under constant factional threat at Municipal Buildings.

"I don't know whether it's politics which makes people so nasty or whether nasty people go into politics," Mr Coombes reflects. "With a bunch of ego-centric politicians, myself included, you get alliances which are not just about who read Marx last. I was re-elected leader of the Labour group by a large majority last month. I will be elected again next year and the year after if I wish."

His stance reflects the pragmatism shown by Labour leaders around the north after 10 years of Mrs Thatcher. He accepts that central government cannot be defied on every count, shows a willingness to co-operate with MTF and MDC, and participates in Boom.

The council recently authorised Peat Marwick McLintock with commercial surveyors Drivers Jonas to produce a study of city centre development opportunities from a partnership between the public and private sectors, funded by an MTF urban aid grant of £250,000. Its findings are expected to reinforce the view that there is much to be gained by stronger links.

Mr Coombes starts from the belief that nothing effective can be done in Liverpool without city council involvement. It remains Merseyside's largest single employer at 31,000 people, with a policy of no compulsory redundancies. This means that if the council loses the bid for its own cleaning services this August it will have to redeploy the 4,000 workforce; if it wins, economies will mean fewer cleaners.

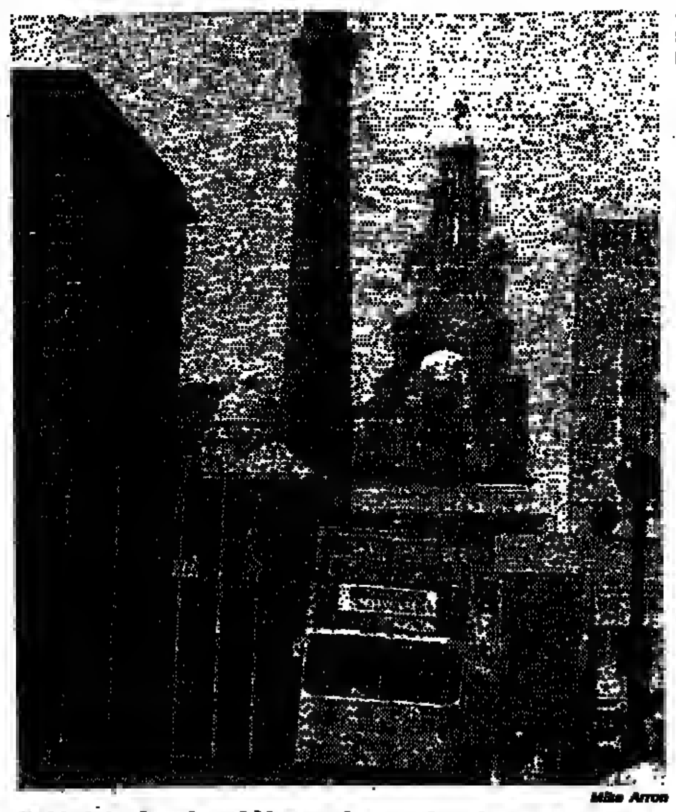
The council leader acknowledges the "havoc" caused by planning activities of the 1960s and 1970s which laid waste Liverpool's inner city. He adds that they were endorsed by all forms of government. Present actions seek to speed the recovery; for example, by helping link resurgent waterfront areas with the principal pedestrianised shopping streets.

Some three years ago, when things were different, the council asked British Home Stores, along with others, to make a contribution to this pedestrianisation. "You must be joking," came the reply, "you're lucky we're still here." BHS survived to move into profit. Liverpool's role as sub-regional shopping centre was reinforced last year with the opening of the £50m Clayton Square precinct.

All agree that city centre well-being is crucial to Liverpool and Merseyside's revival. The days when professionals and businessmen could lock up at night, commute back to Caldy or Southport and forget about urban decay are gone. As Mr Coombes puts it: "If you allow the city centre to die you won't maintain prosperity in Caldy for much longer."

Mr Piper, Boom's chairman, new to Liverpool in 1986, was shocked to hear the city being talked down from inside. "It struck me how many business leaders were knocking the area from which they were hoping to derive their own income. We can't expect anybody else to promote Liverpool."

Mr Piper conceived Boom partly in good old-fashioned self-interest as principal of the city's biggest accountancy practice. Backed by the Liverpool Society of Chartered Accountants and other professional bodies, initially funded by MTF, its mission is to interest national and international executives, and their advisers, in Merseyside's business opportunities. "I felt, back in 1986, that things could move for the better. There were bargains to be had, a good, much-maligned pool of labour, and with the demographic changes starting to bite in the south-east some of our so-called disadvantages could be turned round."



Mike Arron

Behind the façades of Liverpool, a newfound confidence exists

Although it is overtly a single-focus organisation, seeking to increase the profitability of existing companias and smoothing the way for dynamic newcomers, Boom has won acceptance from all five district councils. Trade unionists take part in a 70-strong steering committee, which meets every six weeks to offer guidance and playback.

Ha counters observations about the amount of dereliction still to be found in or near the city centre by claiming the same applies to London. "London attracte investment because of the City and its opportunities to make money. Liverpcol also offers great opportunities. While we recognise the social and environmental problems our concern is to encourage investment."

When Mr Robinson, of MCCI, came to Liverpool 10 years ago he was struck by its similarity to war-torn Belfast. He eubscribes to the convention that Mr Michael Heseltina lit the lamp for renewal after the 1981 Toxteth riots (Mr Coombes sees Mr Tom King as a much more effective Environment Secretary). Mr Robinson believes 1987 was the watershed year; despite continued high unemployment his members have been generally optimistic since then.

Liverpool hung on to its service sector at the time when manufacturing companies were closing or leaving almost every week. Now, with the flow stemmed, the city's manufacturing base is healthy but narrow. This, Mr Robinson says, means that national trends are thrown into sharp relief. "We noticed a downturn in labour-shedding ahead of the national picture. My members have reported a buoyancy in exports for the last four quarters where other parts of the UK were losing momentum." The chamber's survey shows continuing growth in export orders compared with a slight slowing of domestic demand.

Liverpool's overall unemployment rate remains stubbornly inflated at 18.8 per cent. Mr Robinson, for one, believes the jobs are or will be there for those people prepared to train or retrain. Almost a quarter of 159 member companies reported skill shortages in the first three months of 1989, while nearly half experienced recruitment problems. Compact agreements should take care of the next generation of school-leavers. The Robinson message to the unemployed is brisk: "It's no good whingeing. Spend some money; get yourself a skill; you'll find a job."

Robert Waterhouse

CHESHIRE

County of contrasts

THE Government's dislike of shire counties and Labour's intent to create regional assemblies pose opposite threats to Cheshire as an administrative body in its centenary year.

Mrs Thatcher seeks to curtail the counties because, she claims, they are too big to represent local needs; Mr Kinnock will be under pressure to sacrifice the counties to a regional tier of government if party policy adopts decentralisation.

In the case of Cheshire both measures seem inappropriate. The county comprises eight vigorous districts, each with a distinct personality. County Hall, Chester, is a long way from Macclesfield or Warrington. Yet few deny its psychological importance and its day-to-day efficiency. Left to themselves, the districts would be pushed to provide the same level of services.

Regionally, the county already takes an overview. North Wales is just down the road; Cheshire strides the M6 and the West Coast main line; it borders Merseyside, Manchester and the Potteries as well as claiming a slice of the Peak National Park. Cheshire's well-being is crucial to that of the North West as a whole.

Indeed, ona could argue Cheshira's reputation for attracting and retaining major companies such as ICI, BNFL, Shell Chemicals, Vauxhall and British Aerospace is too important to the region to be discarded in the name of constitutional reform.

Cheshire has become a role model for the North West by contriving an equilibrium between manufacturing and service industry, between town and country, between employment and enjoyment. It is a county of contrasts, particularly between the affluent, upland east and the flat, over-exploited acres beside the Mersey estuary. Yet somehow it maintains a unity of purpose – reinforced in last month's county council elections when Labour remained the largest group but the Democrats held on to the balance of power.

County-wide unemployment is around the national average, below the regional mean but with significant east-west variations. In between, Middla Cheshire is doing well. Warrington and Crewe have both low unemployment and room for growth; the same cannot be eaid about Wilmslow and Knutsford, where restraint policies operate, or Chester, where county and city wish to expand but conservational forces have massed to stop them.

Chester is in the throes of a gruelling debate, formalised by the publication of a draft local plan which proposes "rolling back" 1,000 acres of green belt to provide land for new housing and industry north and sonth of the city. This provoked the CPRE, who are treating Chester as a national test case for green belt under threat, to lead the opposition.

Following a public inquiry last November and December the Department of Environment-appointed inspector sided with conservationists in recommending that the plan reinstates green belt land.

However, Chester City Council looks unlikely to accept outright rejection, particularly of tha employment areas. The saga is complicated by a county structure plan review already in progress. Any local authority compromise will now have to wait until the structure plan examination in public next year.

Cheshire has eight districts, each with a distinct personality

This, Cheshire says, is too long. Chester finds itself well-placed just now because, unusually for a historic city, it has development area status. There is a one-off opportunity for quality inward investment – as shown by Shell Chemicals' headquarters relocation. The sort of land such companies need is at a premium. All the same, the city has already found a way round green belt restrictions by allowing low-density, landscaped development at Chester Business Park off Wrexham Road. The inspector tacitly agreed that future work on site, to a total of 36 acres out of 130, may proceed.

Cheshire 2001, the revised structure plan document, was debated throughont the districts in a series of pnblic forums early this year. Planners are still in the process of assessing comments, bnt it is clear that while there is public support for creating a chain of business parks along the M6/M56 corridors, relaxation of green belt and rural restraint policies to meet changed commercial circumstances in the countryside is not acceptable.

The county's farmers, known for their dairy herds, are learning to live with reduced milk quotas. For the first time in recent history there is a prospect of land being set aside. This, planners suggeet, provides opportunities to use redundant farm buildings for recreation or light industry. More space also allows new housing at a lower density. But such ideas are already being reworked after clear disapproval by Cheshire residents.

Growth is the plan's principal theme. It makes provision for a further 40,000 dwellings by the turn of tha century around existing built-up areas, with Warrington the main recipient. The county's roads are expected to become 40 per cent busier, and widening of the M6 is proposed. A *dualling* of the M6 may be financed privately.

One much-needed bypass, tba Handforth-Wilmslow section of the A34, depends on a Tesco/Marks and Spencer superstore which, if granted planning permission, would bring an estimated £32m for infrastructure.

The county's shopping policy, ironically, is to support existing town centres. But it backed another out-of-town project, the Cheshire Oaks at Ellesmare Port, because it argued Chester's city centre could not cope by itself with future demand. Chester separated from the county to oppose this one, but the Environment Secretary declined to *call the application in*.

This spring the eight districts joined with the county council to stage a promotional London show they called Cheshire Coordinates. Attendance and interest ran high, despite a tube strike – which rather proved the point about the overloaded eouth-east. Cheshire's new Economic Development Officer, Mr Dave Collins, is confidently predicting major investment gains.

Because it has the infrastructure, the success stories and a demonstrable quality of life, Cheshire is always likely to be on the list of companies considering the north.

Robert Waterhouse

The largest university campus in Europe

THE North West of England is home to the largest student population in Europe. Included in the area are the University of Manchester Institute of Science and Technology, the Universities of Manchester, Liverpool, Salford and Lancaster and the Polytechnics of Manchester, Liverpool and Lancashire.

The tight squeeze on Government spending has focused the minds of all these institutions on the need to forge ever closer links with industry and commerce.

Manchester University

MANY of the older traditional universities have been slow to apply themselves actively to the needs of industry. This attitude existed until fairly recently at Manchester University, the largest non-collegiate university in the UK.

The university covers the whole range of academic displines from architecture to zoology, although it has traditionally been strong in medicine, social and pure science.

Research grants and contracts absorb 17 per cent, some £17m, of the university's total annual income. The proportion of commercially-orientated research is increasing across all the disciplines. For example, the Architecture for Industry Research Unit is investigating how Britain's ageing industrial buildings are coping with advanced manufacturing technology.

Manchester University does contract research for companies and is also involved in collaborative ventures such as the European Community's Esprit information technology programme.

Last year, the 40th anniversary celebrations of the computer took place in Manchester, where the memory store computer was invented. The computer science department is one of the biggest and has very strong links with the information technology and telecommunications industries.

The university took two significant steps to promote closer links with industry in the early 1980s when it set up Vumen Limited and an Industrial Liason Centre.

Vumen Ltd, is the University's commercial exploitation company and is responsible for transferring the results of university-based research into the commercial environment

The Industrial Liason Centre, based on the Manchester Science Park, acts as a resource and information centre for the Research Development Network, a new service designed to increase the level of externally-funded research.

The Manchester Science park is unusual in that it is based in the centre of a city and it has a unique shareholding structure. The main shareholders are the city council, Manchester University and the University of Manchester Institute of Science and Technology (Umist). Minority shareholders include Granada Television, Fothergill and Harvey, Ferranti and Ciba-Geigy.

Dr David Cottam, general manager of the Industrial Liason Centre, believes many of the other science parks are little more than land development exercises. "To demonstrate their commitment, the University of Manchester and Umist actually put money into the science park," he said.

Phase 2 of the science park is due to open next month and is already more than 50 per cent let.

Manchester University successfully led the bid for the Centre for Exploitation of Science and Technology (Cest), which was set up in 1988 on the site of the Manchester Science Park.

CEST aims to identify key areas of science and technology from a market and industry standpoint. Research and development will be channelled towards those areas which seem most likely to be of commercial significance in the future.

Dr Robert Whelan, chief executive of Cest, said the centre would be a focus for companies and scientists who wanted to exploit science and technology in British industry.

Liverpool University

LIVERPOOL University fared well in two major assessment initiatives. It became one of the first universities to be awarded an interdisciplinary research centre (IRC) and its earth sciences department was classified as one of eight Group 1 type A departments.

For the past three years the university has been strengthening its ties with industry. Professor Graeme Davies, the vice-chancellor, is keen to encourage such ties.

Reports by **Nicola Reeves**

Part of the central strategy is to increase the percentage of income generated from research grants and contracts. This strategy is beginning to bear fruit. In 1984/1985 research income represented about 19 per cent of total income and has since risen to around 30 per cent, worth some £15m.

In February last year, the Science and Engineering Research Council (SERC) announced that an interdisciplinary research centre in surface science was to be established at Liverpool University. The SERC willl provide up to £10m over the next six years.

Surface Science is of growing importance to the chemical and microelectronics industries. The IRC will liaise closely with UK-based scientific instrumentation companies. It will bring together researchers from the chemistry, physics and electrical engineering departments of the University of Liverpool, the Leverhulme Centre for Innovative Catalysis at Liverpool University, and the Department of Chemistry at Manchester University. It will also work closely with the SERC's Daresbury laboratory.

Liverpool University is also the site for the North West Regional Transputer Support Centre, an SERC/DTI initiative in the engineering applications of transputers, the latest high-tech microprocessor chips.

Professor Michael Delves is assistant director of the regional transputer centre and is also director of the university's Centre for Mathematical Software Research (CMSR). The university's centre was recently awarded two major EEC-funded research contracts worth some £600,000, for work in the field of parallel scientific computing.

The Merseyside Innovation Centre (MIC) has been set up jointly by Liverpool University, the Polytechnic and the old Merseyside County Council to assist start-up companies. Dr David Prior, director of the Research Support and Industrial Liaison Office, said the Innovation Centre is now established as the point of contact into small and medium-sized enterprises on Merseyside.

Professor Delves set up N.A Software in 1975. The company's initial aim was to develop and promote commercial, industrial and scientific applications for the software techniques being developed in the university. Recently the company has widened its interests.

New and Improved Technology in the North West (Nimtec), was initially set up about three years ago to promote the transfer of technology between industries. Eighteen months ago with the help of a government grant, Nimtec joined the eight higher education institutes to form a regional technology centre.

Salford University

THE benefits of close ties with industry and commerce is illustrated by the remarkable revival in Salford University'a fortunes. Faced with a 44 per cent cut in its UGC funding in 1981, it had to adapt or die.

Professor John Ashworth, vice-chancellor, said: "The university, in effect, has had to be rebuilt during the 1980s. In the early 1980s we concentrated on building a network of mutually supportive relationships, particularly with local industry and commerce, because we knew that whatever else happened we couldn't recover from that crisis without external help and support."

What came out of thia mutual supporters club was Campus, the Campaign to Promote the University of Salford. Campus aims to promote and develop two-way relationships between Salford University and external organisations.

Membership includes regular visits by the liaison officer to discuss ways in which the company and the university can help each other. Campus does not enter into specifically commercial agreements with its members; contract research and development work is passed to Salford University Business Services Ltd, with a staff of more than 100 and an income in 1988 of £6.2m.

Salford University pioneered the concept of integrated professors – senior managers of leading organisations who are also full university professors. British Aerospace, British Gas, British Nuclear Fuels, British Rail, Coopers and Lybrand and Unilever are all involved in sponsoring chairs. Funding from outside sources now constitutes around 44 per cent of the university's total income.

Salford's strategy is encouraging a higher calibre of student. The proportion of students graduating with a first class degree has more than doubled to 12 per cent.

With the growing awareness of the needs of industry, the university has overhauled much of its educational programme. Professor Ashworth said: "There is a real need for technological managers in companies generally, and the universities were not really addressing themselves to that particular need."

One course resulting from the overhaul, is the BSc in Construction Management, which combines civil engineering and management science and has been developed in partnership with nine of Britain's leading construction companies.

Similarly, the Information Technology Institute, set up in 1986, is 60 per cent funded by industry and combines teaching in computer science and management science.

An innovative programme of collaboration has been set up with local further education colleges. The firat of these links involves Salford College of Technology. Students receive an initial two-year training, leading to a higher national diploma in computer-aided engineering. The university has guaranteed that at least a quarter of these students will enter the second two years of the programme resulting in an honours degree in manufacturing engineering.

Against competition from 10 other centres, Salford University Business Services Limited was selected as the site for the national Advanced Robotics Research Centre. The Research Centre has been set up as part of the Department of Trada and Industry's Advanced Robotics Initiative. The DTI is awarding a £5m grant.

Umist

IT IS fair to say that the University of Manchester Institute of Science and Technology'a (Umist) raison d'être is to serve the needs of local industry and commerce and it has been doing this very successfully since it was founded in 1824.

Umist's departments span the whole range of pure and applied sciences and technology with five major engineeering departments as well as management, langages and linguistics. It offers the only university degree in paper science and has one of only two textile departments in the country.

There are 14 industrial units, where problems arising in many different sectors of industry and of the environment are solved by the application of the latest research findings. Umist has one of the highest proportions of research students. Figures released recently from the Overseas Research Students Awards Committee analysing the take-up rate of the awards, show Umist in third place, behind Oxbridge.

In September last year a wholly-owned company, Umist Ventures, was set up, which combined the activities of the industrial liason office, which was set up 25 years ago, and the research grants and contracts administration. Mr Clive Rowland, commercial manager of Umist Ventures, sees the company performing three roles : the marketing of Umist's research and consultancy capabilties, technology transfer through patenting and licensing activity and through the campus company route and, finally, the research administration.

There are seven campus companies to exploit the technology that Umist is hoping to get to the market place. Some 20 patents are being marketed to a range of industrial companies.

The 14 Industrial units have been set up alongside each academic department to balance the academic and industrial workload of the staff. The largest unit is Capsi, a corrosion protection centre for industrial services, which has an annual turnover of about £2m and is soon to become a subsidiary of Umist Ventures Limited.

Mr Rowland sees Umist Ventures Limited as a natural evolution of what has gone before in Umist. Although Umist has a strong international reputation for its basic and applied research, Mr Rowland believes there is still work to be done in selling their expertise.

Umist earns about £13m, a third of its total annual income, from its external activities, such as research, testing and analytical services, consultancy, conference activities and technical and management training programmes. The high value equipment on site at Umist, attracts testing and analytical consultancy work from many small and medium-sized companies.

Around one quarter of all electronic and electrical engineering graduates in the UK come from North West campuses. A Centre for Electronic Materials (CEM) has been set up at Umist. The centre is funded by Umist, industry and government agencies. The aim of the centre is to undertake medium- to long-term research into electronic materials. Umist has equipment worth more than £8m devoted to this work and more than 50 projects are in progress.

The CEM collaborates with other groups in the university and a feature of the activities of the centre is the training and post-experience programme for staff already working in the electronics industry or in other universities.

With an eye to the future, Umist is in the early stages of a fund-raising campaign, through its Millenium Fund which has collected some £3m. Its target is £25m.

Manchester Business School

RESEARCH into the problems of management is the main activity at the Manchester Business School (MBS), which was founded in 1965, at the same time as the London Business School. MBS receives about 20 per cent of its income from the University Grants Committee and has an annual turnover of some £8m.

MBS is the Faculty of Business Administration at Manchester University and is renowned throughout Europe for its two-year Master of Business Administration programme. It has developed a system of training known as the Manchester Method whereby students look at problems for companies.

At the end of the second year, students undertake a major business project which involves small teams travelling around the world for British companies, assessing markets, product launch possibilities and competition.

Despite having an international approach to all activities, the needs of local industry are not forgotten. Mr Russell Cialis, external relations director, said: "Because of our geographical location we have extremely strong ties with industry and commerce in the North West region. A lot of the big companies in Britain have large presences in the area."

A new degree course was launched last year – the Master of Business Management which is a postgraduate course for experienced middle managers with senior management potential. Companies are involved directly in the selection, teaching, supervision and assessment of participants.

MBS also offers a wide array of management development programmes. One such programme is the Business Development Unit which helps individuals create and develop significant new businesses and fosters entrepreneurial behaviour within established companies. Mr Cialis says in the last three years some 500 North West companies used the Business Development Unit.

The Executive Development Centre is the point of contact for companies or industries wishing to design joint activities to satisfy their management development needs.

There are exchanges with other universities in Europe and North America and there are plans to expand into Japan.

Earlier this year, Professor Tom Cannon was appointed the new director of the Manchester Business School.

Manchester Polytechnic

MANCHESTER Polytechnic was formally designated in 1970, but the history of the colleges which preceded it goes back more than a century.

Manchester Polytechnic is the UK's largest polytechnic, offering 300 courses. The Institute of Advanced Studies provides a centre where the polytechnic's skills can be brought together to examine problems of an interdisciplinary nature.

In conjunction with Umist, and the Universities of Salford and Manchester, the polytechnic has pooled its resources in the service of adult education and training, through the Contact programme which has received £250,000 in grants from the University Grants Committee, the Department of Education and the Leverhulme Trust.

Lancaster University

THE earth sciences review conducted by the UGC rated the university's environmental science department among the eight best in the country – the others were Cambridge, Edinburgh, Leeds, Liverpool, Manchester, Oxford and East Anglia.

The Management School has launched its collaborative MBA and diploma courses, of which the flagship is the Heathrow-based management training scheme with British Airways.

Liverpool Polytechnic

IT was originally formed in 1970 from the colleges of art, building, commerce and technology and has a research programme which brings in about £1m annually, and its staff act as advisers and consultants to a range of industries and social institutions.

The polytechnic is collaborating with Umist, Liverpool University and participating industrial companies in a scheme to provide an Integrated Graduate Development Scheme for manufacturing and process engineering companies in the North West.

It is the site of one of 12 Regional Electronics Centres set up by the Department of Trade and Industry to form a national network. It is designed to provide support, awareness and training in Electronic Design (Computer-Aided Design) and Advanced Manufacturing in Electronics (AMIE) for firms in the North West and North Wales.

Mike Arron

Granada Studios Tour has transported 400,000 people into a world of fantasy during its first year

Nicola Reeves looks at tourism

New magnet for visitors

NORTH West England is likely to benefit from the drop in foreign holiday bookings. The region has much to offer potential visitors: historic Chester, Tatton Park country estate, Blackpool – Europe's largest seaside resort – the Lake District and the vibrant cities of Liverpool and Manchester.

According to the North West Tourist Board, tourism in the North West was worth £605m in 1987, up from £535m in 1986. Early indications from hoteliers suggest 1988 is going to be even better.

Department of Employment figures show a 14 per cent increase from 1985 to 1987 in the number of people employed in tourism in the North West. At 139,000 it has the largest number of tourism employees of any region outside the south-east.

Improvements in the infrastructure are boosting the number of visitors. Merseyside tops the latest survey on tourism business by the North West Tourist Board.

The Merseyside Task Force was set up by the Government in 1981 to co-ordinate the work of government departments contributing to the region's revival.

Mr Dennis Morrison, controller urban and economic affairs in the Task Force, admits that regeneration is not going to happen overnight. "You could argue that it will be at least a generation job," he said.

The catalyst for projecting Liverpool as a tourist attraction was the 1984 International Garden Festival. Since then, the redeveloped Albert Dock has become a focal point, attracting 3.5m visitors in 1988.

The Merseyside Tourism Board (MTB) is a non profit-making company set up in April 1986 by the MDC, the Merseyside Task Force and a number of people from the private and public sectors, to continue and expand the work on tourism at county level. MTB's activities include a local awareness programme, improved customer training, links with expatriate Merseysiders and services to industry and commerce.

The Albert Dock redevelopment is very impressive and one of its greatest assets is the Tate Gallery which has quickly established itself as the national collection of modern art in the north of England.

Mr Samir Rihani, chief executive of the Merseyside Tourism Board, believes attractions like the Tate help to improve the image of Merseyside.

Tourist attractions, such as the Tate and Knowsley Safari Park, reported an average increase in attendance of about 15 per cent in 1987 and 1988. Hotel occupancy levels average a record 67 per cent for the past 12 months.

The philosophy adopted by the Merseyside Tourism Board and many of the other local agencies is summed up by Mr Rihani: "The more people we bring to see Merseyside, the better for the economy of the area. Today's visitor could be tomorrow's investor."

Manchester is also actively promoting itself as a visitor destination. As one of the UK's largest cities, it is rich in variety and quality of entertainment. There is excellent drama at the Royal Exchange, and it is the homs of the Halle orchestra, and many art galleries and museums.

Manchester has the second largest Chinatown in the UK, with the largest imperial archway outside China.

One of its newer attractions, the Granada Studios Tour, has already established itself in the first division, in terms of visitors. The Granada Studios, which covers 3.5 acres, is Europe's only television-based theme park. It cost more than £8m to set up. Some 10m people live within an hour's journey, and since the first tour on July 20, 1988, there have been more than 400,000 visitors.

Manchester prepares for 1996 Games bid

Olympic candidate

EARLY in 1988, much to the consternation of Birmingham, Manchester won the British bid to host the 1996 Olympic Games. Having won the British nomination to host the 1992 Olympics – which are to be held in Barcelona – Birmingham expected to carry the torch through to 1996.

The ubiquitous Mr Robert Scott, who is chairman of the Manchester Olympic Bid Committee – his past successes include the Royal Exchange and Palace Theatres and the Cornerhouse contemporary arts venue, in Manchester – is not surprised that Manchester won the British bid. "There is a kind of visionary quality about the Manchester bid, and the regeneration of the Ship Canal and the waterside theme. The hopes and the aspirations of the bid, I think, are attractive and I think we communicated that to the British Olympic Association," he said.

An unusual feature of the Manchester bid is that it is led and funded privately, although it has the full support of the city council. Mr Scott's inspiration for putting together the bid came in 1984 with the Los Angeles Olympics, which were the first Games to be self-financed. Within about 10 days , Mr Scott had raised £250,000 and had teamed up with Mr Richard Parry of Arthur Young, who had been involved in putting together the finance for the Los Angeles Games.

Manchester faces formidable competition from Athens, who are the emotional favourites to host the centenary Games. The other candidates are Atlanta, Belgrade, Melbourne and Toronto.

The Manchester bid has much to commend it. Britain invented many of the Olympic sports and is the only nation in the world that has been represented at every Summer and Winter Games. According to Mr Scott: "we're a major Olympic nation claiming the right to hold the Games again."

If successful, the Games will return to Britain after an absence of 48 years. Although the bid will be centred on the city of Manchester, Olympic events will take place across the whole of the North West of England, with the city of Liverpool having a major role to play, a point which Mr Parry, director of the Olympic Bid Committee is keen to emphasise.

"It's going to be a regional Games. We will be making full use of the motorway network," he said. "There are major opportunities for Merseyside to be involved."

Mr Peter Hadfield, chairman of Trafford Park Development Corporation, is also on the Manchester Olympic Bid Committee and welcomes the tremendous PR surrounding the bid, which should make the attraction of investment into the area that much easier.

Barcelona is preparing to stage the 1992 Olympic Games and looking at what is happening there, Mr Parry thinks an Olympic bid is a tremendous catalyst to speed the regeneration process. To meet the long-term needs of the region, Mr Parry says the committee wants to develop facilities for the next 30 years, not for three weeks.

Events are planned across the whole of the North West

There is much to be done if Manchester is to transform itself into the host city. A recent joint project between Artweek, the School of Architecture and Landscape Studies at Manchester Polytechnic and the Cornerhonse, hronght together private and public sector artists, architects, sculptors and urban designers to try to assess what was needed.

Their main conclusion was that the routes linking areas of central Manchester needed to be improved, to achieve a pleasant environment for people to live and work in. Many of the attractive squares and buildings are located in little islands surrounded by traffic.

Mr Parry is in charge of the day-to-day planning of the Olympic bid and has put together a three-phase strategy.

The initial task is to convince the International Olympic Committee (IOC), that Manchester is technically capable of staging the Games. To achieve this senior managers of the Los Angeles Games have been hired to work alongside the Manchester Bid Committee. Mr Parry said that despite talking initially to Atlanta, the Los Angeles managers chose to work for Manchester because they believed absolutely in ths notion of the Manchester bid.

Driving the Dream is the campaign to mobilise the people to support the Manchester bid. Mr Parry believes all the candidates will be able to demonstrate that they are capable of staging the Games and therefore selection will depend on other criteria.

A wide range of activities will take place over the next 18 months, bringing major international events to Manchester.

The final international task is to convince 47 of the 93 members of the International Olympic Committee to vote for the Manchester bid.

Mr Scott believes the Games are better for Britain in Manchester than in London, a sentiment that will be shared by anyone who has to travel through the capital.

Mr Parry agrees that the Manchester Games would be immensely good news for London in terms of what it does for the country's profile. "There would be huge economic spin-offs for London and there would be a boost to London's tourist trade," he said.

Mr Scott recognises that it will be difficult tn build momentum throughont the whole country . "We've got to really get the nation behind us and that's quite a slow business," he said.

"One would have thought that the UK Government would support an independent private sector led and funded bid and there are encouraging signs on this front," Mr Scott said. "There's a growing feeling that we are to be taken seriously."

To date, the Manchester Olympic Committee has raised almost £2m. The Princess Royal, president of the British Olympic Asociation, is a keen supporter of the Manchester bid and the Duke of Westminster is president of the Manchester Olympic Bid Committee, which includes many leading figures from industry and commerce.

The IOC will make their decision on September 17, 1990. Mr Scott says: "So long as we can convincingly convey the notion that we are the British hid, then I think we will become a very potent candidate."

Nicola Reeves

SALFORD QUAYS

A dream turns into reality

SALFORD Quays is the kind of development increasingly familiar in British towns with rivere or canals running through them.

In those towns the old, derelict docks and warehousee have often been transformed into complexes of bijou red-brick houses, apartments and office blocks. They usually have a leisure centre, a supermarket or cinema set on re-arranged quays and waterways. They often needed hefty infusions of front-ended government investment in infrastructure before the private sector would look at them. This was invariably channelled through an Urban Development Corporation (UDC), a horough or county council or some such similar body.

Salford Quays is a different venture in two ways. It was judged difficult to the point of impossihle to get off the ground as a re-development project even hy promoters most prone to fantasising. Second, it has come to life largely through private sector initiative with only a modicum of public money spent on getting the ball rolling.

Without the determination and strong nerves of Mr Ted Hagan, the developer, it is possible the quays would still be run-down and looking for a backer.

The quays are at the head of the Manchester Ship Canal, which runs 35 miles to the port of Liverpool. Built in 1894, the canal was one of the last epic flings in the twilight of Victorian capitalism. It enjoyed its heyday in the middle of the present century when Manchester/Salford was the third largest port in the country and one of the biggest inland ports anywhere in Europe.

Container vessels and oil tankers became too big for the canal. There was a strategic shift in trade by the 1960s away from the US and Canada and thus Liverpool, to British east coast ports and Europe. The old industries, shipbuilding and cotton, began to die and the ship canal died with them.

By the 1980s the docks were a mess of industrial waste and wreckage. The warehouses played host to a huge rat population. The canal was so badly polluted it gave off a smell on sunny days. Even the land was contaminated by chemical waste. Traffic had been waterborne so there were few roads and little access. There was little in the way of services such as electricity because the Manchester Ship Canal Company had its own generator.

The warehouses had been used mostly to store grain. Because of the explosive possibilities of grain they were constructed of concrete. This made it difficult to convert them into flats and offices as in London's Docklands.

Without the determination and strong nerves of the developer it is possible the quays would still be run-down and looking for a backer

The quays' prohlems were compounded hy Salford's bad image. As one hnsinessman put it: "Yon think of Salford and you think of L.S. Lowry, Andy Capp and Coronation Street.

"The town has no real centre. It has no commercial heart and hardly any hotels. There is a university but most people think of it as a suburb of Manchester. There is an identity problem. Added to that there are some tough housing estates. Ten years ago, nobody would want to invest in Salford. Manchester, maybe, but not Salford and certainly not Salford Qnays." Despite the apparent drawbacks, the Lahour-dominated borough council, which then as now was soft-left, was determined to develop the 160-acre site in conjunction with capitalists if need be.

In 1981 hullders Taylor Woodrow, together with the Mancbester Ship Canal Company and council representatives travelled to London to try to obtain money from central government to develop the infrastructure.

Taylor Woodrow disagreed with the MSCC about the value of the site, claiming it was worth less than nothing and that it should be paid for taking on the project. The deal collapsed.

Mr Les Hough, the leader of council who died in 1987, refused to give up. He decided to acquire the land even though he knew the council could not develop it. He ohtained a valuation and bougbt the whole 160 acres with 75 acres of canal front for £1.6m.

The problem was that no money would be forthcoming from the central government unless there was some private sector commitment. The Government had set up two Urban Development Corporations, in London's Docklands and on Merseyside, and their success was at that stage uncertain. Consequently Mrs Thatcher could not be expected to establish any more, at least, not in Salford.

It was a classic chicken-and-egg situation. No private developers would invest without government involvement. At this stage Mr Ted Hagan entered the picture. He had been a developer for 30 years and had established a reputation in the north for being able to manage difficult sites.

He says: "The attraction of the UDCs is that their money is upfront. They have powers of compulsory purchase, and can huy land at almost historic cost. Also they have the planning authority over their given area." He continues: "But there were other ways of raising money. Part of the area was an enterprise zone, so that was a start. In addition you could get urban aid and land reclamation grants." Today these grants have been rolled up into the one "city grant".

The council went for land reclamation grants because they were 100 per cent payable by Whitehall. The urban aid grants were only 75 per cent reclaimable. To qualify, the council needed to raise £4m of private investment.

The deal the council offered Mr Hagan was that if he could raise £9m within three years he would receive 24 acres of the site, with some of it in the enterprise zone, for a peppercorn price. The enterprise zone status meant no rates, and tax allowances on capital investment.

Mr Hagan looks every inch the snccessful entrepreneur, with his mane of silver hair, his silver tie-pin, gold cufflinks, silk pocket handkerchief and ebony cane. But he is not hombastic and lacks the braggadocio found in other property tycoons. He is softly spoken, reflective, almost shy.

He chuckles when be says: "Yon see, I think the council thought I would never raise the £9m. If I got half of that they would get the Government money and the land." In the event be closed the deals with only minutes to spare. With bankruptcy staring him the face, having mortgaged his house and put up £500,000 of his own money, he signed a complex 40-document deal just before the deadline of midnight on New Year's Eve 1985.

He had persuaded Thorn Emi to huild an eight-screen 1,800-seat cinema, British Caledonia to construct the 166-room Copthorna Hotel and Spencer Homes to put up 112 houses and flats. The initial package came to £13m. The houses have all been snapped up and some of them have been resold for £80,000. This is an unheard of sum for Salford wbere £25,000 was expensive for a house.

Office blocks have been huilt, and next on the agenda is a shopping complex and then a leisure centre. There are plans for a 70-berth marina and a multi-storey car park. Mr Hagan reckons when his develpmant is completed in five years' time there will have been £300m of private sector investment. The Governmant will have put $25m into the infrastructure. Plans to develop the acres not controlled by Mr Hagan are well advanced.

Mr Hagan admits to being a very rich man. Was he planning to retire? No, he had found another difficult site he wanted to market. Next time, though, he felt he could do without the stress.

Stewart Dalby

TRAFFORD PARK DEVELOPMENT CORPORATION

Trafford Park: New life for what was once thought to be western Europe's largest industrial estate

Set fair to flourish quickly

OF THE newer urban development corporations, Trafford Park looks set fair to emulate London Docklands and flourish quickly.

This is because it comprises a large industrial estate which never really disappeared. Industries have been operating in Trafford Park since 1896, two years after the building of the Manchester Ship Canal which runs alongside the estate.

By the Second World War there were 75,000 employees and it was thought to be the largest industrial estate in western Europe. The period before the war, and during the early 1950s, wera its high points. It has been in decline ever since.

There are still more than 600 companies in tha area. But technological change together with recession and structural adjustment, has cut this the number of employees to about 26,000. Many well-known companies like Kelloggs, Ciba Geigy, and GEC have continued to thrive. Many of the physical assets are worn out and some factories are past their useful life.

The Trafford Borough Council, which is Conservative by a small majority, felt that, squeezed as it is between motorways and only 10 minutes from Manchester airport, Trafford Park could, with the right encouragement, he revived. In the early 1980s the council was spending between £1m and £2m on park maintenance, equivalent to 10 per cent of its capital budget. It realised that the major investment on infrastructure necessary to rejuvenate the site was beyond its means.

The council got together with eight or nine companies and other local councils and lohbied the Government for regional assistance. Eventually, in 1987, the Trafford Park Development Corporation was set up. It was given a budget from the central government of £160m which would be spent over five or six years. The expectation was that over a longer period some £850m of private investment would be generated. The corporation will not hasically be concerned with housing and other areas usually associated with urban renewal, but with developing the industrial estate.

The corporation is concerned with an area of 3,000 acres. This includes not just more than 2,000 of Trafford Park itself, but also 160 acres of the 250-acre Northbank Industrial Park at Irlam. Physically separated from Trafford Park, Northbank is the old British Steel plant which was closed over a period during the 1970s with the loss of 4,500 jobs.

In a sense Irlam is more attractive to potential investors because it is more of a greenfield site. One of the problems with Trafford Park is the fractured and individually held nature of the sites. Moreover, those parts of Trafford Park with enterprise zone status are largely filled with sitting tenants so the benefits of no rates plus tax advantages on capital expenditure are not generally available. Greenfield sites are probably the last words that would spring to mind to describe the scene of dereliction that was Irlam not so long ago. The corporation has spent money on decontamination of the area and landscaping. Companies wishing to set up there, would nevertheless be starting from scratch, in new factories. Some 30 of them have shown interest and at £50,000 an acre the land is half the price of that in Trafford Park.

In the park proper, the corporation has identified the most pressing problem as communications. Although,the motorways are nearby. The primary roads leading to them are in poor condition. It plans a dual carriageway across the Manchester Ship Canal. This would link up with the M602 and then tbe M62 to the north-west and the M56 and the M6 to south. Another prong would go into central Manchester. All this would mean a greater flow for goods going out of the estate and for employees from districts like Salford coming in.

Mr Mike Shields, chief executive of tha corporation, estimates that np to half of the £160m could be spent on the road and other communications.

As this goes ahead the corporation will concentrate on developing two sites. The first is Trafford Wharfside, next to the ship canal and opposite the Salford Quays project. This wonld provide high quality commercial and light industrial premises, and add 250 acres to the built-up area.

The other site is Trafford Park Village, where once there were 600 houses. Development would help restore missing amenities and services such as shops, cafes, pnbs, offices, hotels and a business centre to encourage small companies.

Mr Shields says he is unaware of the exact number of new jobs created during the past 18 months, but estimates a few new companies would have employed perhaps 300 to 400 people. But, he says,"the decline has been stopped. That is the important thing."

He is confident many more companies will set up in Trafford Park. The housing for execntives and managers is modestly priced. Although be does not envisage a return to the days when 75,000 people were employed, he feels there will be several thousand more jobs within 10 years.

Stewart Dalby

At last the Merseyside Development Corporation seems to be in business, reports **Stewart Dalby**

Brighter weather comes to the waterfront

URBAN development corporations were designed to use public money to establish or repair infrastructure in run-down urban centres, so that greater amounts of private sector finance would follow.

Without government pump-priming, the argument runs, private investors would not consider looking at derelict inner-city areas. Start-up costs would be so great that they would swamp any returns for too many years to make projects commercially viable.

The theory seems to have been put into practice brilliantly at one of the first UDCs established in 1981 — London Docklands. Whitehall money, spent on roads, a metro-railway and other services, as well as on renovating land and water, has generated huge private spending. The ratio of private investment to government spending is now said to be more than 10 to one.

In Merseyside, where the other original UDC was also set up in 1981, the opposite seemed to be the case. No matter how much money the Merseyside Development Corporation sank into the waterfront, the private sector would not invest. As recently as 1987, six years into the notional 10-year lifespan of the MDC, £140m of public funds had been pumped into the area. But there had been only £20m of private investment.

Dr John Ritchie, chief executive of the MDC, says there are a number of reasons why Merseyside has lagged.

First, with a designated area of 856 acres, it was only one-fifth the size of Docklands.

Second, Docklands was declared an enterprise zone, whereas this part of Merseyside was not. The status has been important to Docklands: there have been no rates, and also tax advantages to capital investment.

Third, there was a weak economic environment in Liverpool — whereas Docklands was opposite the City of London, and its development came at a time of improvement in global communications, internationalisation of stock markets and high demand for office space.

Liverpool was a declining city. Unlike neighbouring Manchester it had no real industrial base. When the cotton trade died in Manchester, engineering pulled it through. Liverpool had lived by trade, and when there was a shift from America towards Europe and the east coast ports it had little to fall back on.

In the 1960s and 1970s, the regional policies of successive governments were to get companies to relocate. This never really worked in Liverpool, because of the lack of a proper industrial environment. It was only in the calmer industrial relations atmosphere of the 1980s that concerns such as Ford and General Motors really started to prosper.

People were moved out of the city to satellite towns like Runcorn and Crosby. The population of Liverpool proper has dropped from 750,000 in 1961 to 500,000 today. There are plenty of houses, but of the kind that few people want. This contributed to the fourth reason, which, according to Mr Ritchie, made Merseyside unusually difficult to resurrect. There was total dereliction.

"It was not until 1984, three years after we were set up, that we had anything ready for private investment," he says. "It was not until we had spent a fortune on clearance, reclaiming land, and sorting out the very bad silting problem, that we had anything developable."

The dereliction argument is compelling. If one looks at pictures of the Albert Dock before the MDC came along and now, one would barely recognise it as the same site. Albert Dock, one of the largest grade one listed buildings in the country, is the centrepiece of the MDC's development. It was finished last year and to my mind is one of the most attractive dock redevelopments in Britain.

The heart of the dock has the Tate art gallery, the maritime museum, restaurants and shops set around a yacht harbour. Residential and office blocks are being built around and alongside.

A fifth reason why development was slow was the unfavourable political climate. In 1983, the militant group in the Labour party gained control of the city council. Although it was probably no more profligate than the city council in Manchester, the high profile of some of such leaders as Mr Derek Hatton, rightly or wrongly scared off the private sector.

In an improved political atmosphere, coupled with the completion of Albert Dock, people perceived that the corner had been turned

Although officials at the MDC do not dwell on the subject, there is no doubt that, when the militant group was legislated out of business by central government in late 1986, there were sighs of relief on the waterfront.

In the improved political atmosphere, coupled possibly with the completion of Albert Dock, people perceived that the corner had been turned.

The MDC had been moving on several fronts. On the Liverpool waterfront, the Kings and Queens docks have been reclaimed and tidied up. A second major leisure/tourist complex at Kings and East Queens should be completed early next year.

Further along, on the Liverpool side at Coburg Brunswick, the yacht haven is open and doing well. On the opposite side of the Mersey, at Wirral, long negotiations with the Mersey Docks and Harbour company for the purchase of 115 acres necessary for redevelopment, were completed a year ago, and something like £15m is being spent on reclamation.

After the outlay of £200m of government money, three projects alone could see £450m invested in the next few years. One, an office and residential development in which P&O is involved at Princes Dock, could see £180m to £200m spent. A second, involving Ollertons, a Manchester developer, could account for £65m.

Dr Ritchie admits privately that there were times during the mid-1980s when he felt like giving up. The MDC was criticised for not aggressively selling the area to industrialists. He says he got fed up hearing stories how in Docklands land was being resold at enormous premiums. The MDC now finds it can sell land at a premium, and thus is able to fund some expansion internally.

Dr Ritchie says: "We can demonstrate that we have changed the environment dramatically. Not only that, we have provided training for the jobs that have been created by the investment. This, after all is what the corporation is ultimately trying to do — bring jobs back to Merseyside."

The aspect of his job that Dr Ritchie seems most pleased with is the success of the training concern, Metel. Run as a private company, Metel receives £300,000 a year in funding from the corporation out of a total budget of £2.4m. Dr Ritchie is chairman. He reckons Metel has offered enterprise training and support to more than 7,300 young adults to the past year.

He might well have to give up any thoughts of retiring from the fray. Last year, Mr Nicholas Ridley, the Secretary of State for the Environment, announced two extensions to the designated area of the MDC, tripling its size to 2,500 acres. On one, of 850 acres, it is envisaged that £50m to £90m will be spent over the next eight or nine years. The MDC at last seems firmly to be in business.

CENTRAL MANCHESTER DEVELOPMENT CORPORATION

Towards second-city status

CENTRAL Manchester is one of the third generation of development corporations.

The first two, in the London Docklands and on Merseyside, were set up on a large scale in 1981. Next came Trafford Park, Tyne and Wear, Teesside and the Black Country, established in February 1987.

A clutch of smaller UDCs was put in place in mid-1988, including Central Manchester, Leeds, Sheffield and Bristol. This third wave have become known as mini-corporations.

Central Manchester's distinguishing feature is that it is not a huge area of inner-city dereliction in need of huge government funding, but a pocket within a flourishing city, which missed out on the redevelopment of recent years.

During the boom of the early 1970s, when Lord Barber was Chancellor of the Exchequer, much commercial development took place in the east of Manchester. When office rents collapsed in 1974-75, a surfeit of office property was available.

According to Mr John Gjester, chief executive of the CMDC, it took a long time for the speculative building of the 1970s to be absorbed. "It was not until 1983 that the pressure for office space began to be felt again," he says.

The area under his remit consists of 470 acres around the Rochdale canal. This is due west, past the Chinatown area which consists of a large number of cotton warehouses that have recently become fashionable for conversion to offices. The reasons are not difficult to discern.

Manchester considers itself to be England's second city, after London. The distinction is also claimed by Birmingham, but there is an important difference between the two: Manchester is slightly too far from London for businessmen to visit regularly — the quickest train takes two and a half hours. Consequently the city has developed its own strong core of professional services, which consolidates its position as a regional capital, in a way that has eluded Birmingham. For example, Manchester has 62 banks, including 25 foreign ones — many more than Birmingham.

Promoters of Manchester extol its other advantages as a regional centre. The airport, which is 10 minutes from the city, has direct flights to 60 destinations, including four daily to Paris. "It is no longer necessary to struggle through London and fly out through a congested Heathrow or Gatwick," remarked one businessman.

The city has a number of theatres, an opera house and the Halle orchestra; many cinemas and clubs; an abundance of restaurants, including some excellent Chinese ones in the extended Chinatown area.

UDC officials increasingly view Manchester not merely as a regional centre, but as a national one. "London has become so overcrowded and so short of skilled labour that companies are forced to look elsewhere," says Mr Gjester.

Rents in the area are as low as £8 a square foot. "It is just a downtown area that just hasn't happened," Mr Gjester comments. Clearly, it is about to happen now.

The chief executive says he does not have to spend vast amounts putting in the infrastructure, as was the case in Liverpool: the communications are already there. Nevertheless, there is some spending to be done, largely on access and reclamation of redundant industrial buildings, landscaping and improvement of the general appearance of the area.

THe CMDC has a budget of £60m, which it will spend over five years. This is expected to generate £250m of private investment, though not over the same period.

In its first year of operation, the CMDC was investing at a ratio to the private sector of 1:2.7 — CMDC officials call this their gearing. Within five years, they believe, the ratio will have changed to £1 from the CMDC for every £8-to-£10 from the private sector. If it does reach this target, it will have achieved its goals and become self-liquidating.

Stewart Dalby

MANCHESTER AIRPORT

Underpinning the economy

MANCHESTER Airport provides a focal point for the region's motorway network, and provides a strong international perspective.

Basil Jeuda, chief executive of Inward, the North West's inward investment agency, is a firm believer in the sales value of the road-air equation. "When we are knocking on doors it is often one of our strongest selling points," he says.

The region's industrialists regard the growth of the airport over the past decade as having underpinned the region's economy by allowing nothern-based exporters easy access to key foreign markets.

Meanwhile, passenger traffic has risen steadily to over 10m, from less than 6m in 1984, though much of this is holiday traffic. And although freight is showing rapid growth, the 70,000-plus tonnes handled in 1988 is a small proportion of total freight movement within the North West.

Manchester Airport plc may not be in the first division in terms of size (turnover this year will rise above £100m, on margins of around 30 per cent), but its infinence on the regional economy is greater than that of companies 10 times this size.

Within the region, it has directly created 50,000 jobs. During its ill-fated attempt to secure licences for new routes to North America, a study by Salford University suggested that a further 3,500 permanent jobs would be created. Such statistics have given the airport a powerful following, which the chief executive, Mr Gil Thompson, has used adroitly in his battles with the Civil Aviation Authority.

The CAA would like Manchester to concentrate on charter flights (it handles 20 per cent of UK holiday traffic), leaving long-haul expansion to Heathrow, Stansted and possibly Gatwick.

In terms of regional communications, the CAA is wrong. The airport is serviced by a road network that Heathrow must envy, and is able to cater for significant expansion. The widening of the M63 Barton Bridge has relieved congestion for airport traffic from the north side of Greater Manchester, though an eastern link remains a priority. However, if the airport's own prediction of passenger traffic growth to 23m by the turn of the century is fulfilled, the network will be under considerable strain. The long-term need is for a mainline rail link.

The airport seems likely to become one of the terminals for the Manchester Light Rapid Transit system, but this will cater mainly for local needs.

There are plans to extend a rail spur from Manchester to the airport, but this has been criticised within the region. One point of dissent is that, for little extra, a mainline station could be built, allowing Manchester-to-London trains to travel via the airport. Proponents of this argument point to European models, and to Gatwick.

A more fundamental reason is that such a station, assuming BR completed the electrification of the Preston-Manchester line, would allow easy travel to the south or a visit to the region's main tourist centres.

A privately-run, high-speed rail service from the airport should not be discounted. Current thinking in the region supports of some form of inter-city link along the lines of the Düsseldorf-Frankfurt route run by Lufthansia.

The other airports in the region, while providing a useful extension to the communications network, do not have Manchester's strategic importance.

What makes Manchester so vital to the region is perhaps the simple fact that, without it, the advantages of the other components of the communications network would cease to be so beneficial.

The airport has become so domininant a part of the transport infrastructure that long-term strategy is no longer to see how it can benefit from the region's road, rail and port network, but how these can benefit from the presence of Europe's fastest-growing airport

Martin Regan

COMMUNICATIONS

Roadways to growth

INDUSTRY in the North West has alwaye been uniquely influenced by the region's communications network. Early industry grew np along the Leeds-Liverpool Canal, while the Port of Liverpool and the Manchester Ship Canal helped to create the dominant economic axes of Merseyside and Greater Manchester.

Today, only the port of Liverpool retains infinence, though the role of the ship canal in providing an international perspective has been adopted by Manchester airport.

The region's other ports at Barrow, Workington, Whitehaven, Heysham, Silloth, Fleetwood and Ellesmere and the airports at Speke, Carlisle and Blackpool have been of only passing interest to the growth of the regional economy.

Over the past two decades the main catalyst of growth has been a motorway network which remains the most co-ordinated of any region in the UK. Widespread indnstrial development has been most evident along the M6 corridor, from Knutsford in the south to Carlisle in the north, and along the east-west M62, the arterial link connecting the economies of Merseyside, Greater Manchester and West Yorkshire.

The main cities in the region are well served. The M62 provides a fast link between Liverpool and Manchester, while Clwyd and north Wales can be reached via the M56.

Both the Birkenhead peninsula and the Fylde coast were opened up in the seventies by the M53 and the M55 respectively, the former bringing new industry, the latter tourism.

The most publicised example of communications-led growth is at Warrington which has used its position at the junction of the M6 and M62 to market itself as "Britain's most central location", attracting considerable investment from foreign companies.

However, the benefits of the network which have reduced travelling time between the two main regional conurbations to minutes, have tended to overshadow a number of strategic weaknesses.

Manchester's incomplete Ring Road has isolated the east of the city where unemployment rates are running at about 20 per cent. The final Denton to Middleton section of the Ring will not be completed until 1993.

In north-east Lancashire the M65 is still unconpled from the region's main arterial routes, though the Blackburn southern bypass, to be built in 1992, will link it to the M6.

The main weaknesses are outside the region. Ninety-two per cent of North West freight travels by road and sonth-bound container traffic quickly finds that the advantages of good motorways are dissipated when they are linked to the congested networks of the Midlands and the south.

The Birmingham northern relief road is of more importance to North West industry than any single project within the region itself.

With rail, the completion of electrification of the feeder routes into the InterCity west coast line remains a priority.

There is also the need for a direct mainline station at Manchester airport. A BR plan to lay a spur line from Manchester was heavily criticised earlier this year in a CBI transport policy review.

The review argued that at little extra cost the line could become a througb ronte to Crewe and London, replacing the present Wilmslow ronte. Manchester to London trains could then go via the airport.

Manchester's planned Light Rapid Transit System, which now seems certain to link with the airport, will provide relief only for local passenger traffic.

In the wider European context the need for a fast through route to the south east has created unity of purpose between public and private sectors.

Studies into the possibility of using Liverpool as a landbridge for European-bound North American container traffic have been funded by contributions from local chambers of commerce, businesses and trade unions.

Mr Robin Morris, an independent transport consultant based in Lancashire, believes the landbridge has wider implications than simply attracting more shipping to Liverpool.

The original concept of examining the trade which Liverpool must attract away from European ports, has broadened into an examination of the region's transport strategy.

The studies have shown that there is the potential for one train a day between Liverpool and Europe and debate about a series of freight terminals around the region to take intermodular container traffic has been growing.

The main marshalling point for Euro traffic will he at Crewe which will be fed by terminals at Seaforth and Trafford Park.

Landbridge has become the first attempt in the region to draw the elements of transport infrastructure together. Others are likely to follow, as agencies such as Inward and three development corporations adopt a wider strategic view.

Martin Regan

INWARD

Accent on selling points

ECONOMIC unity in a region as diverse as North West England has never been a priority, even among those who recognise that closer links between the region's main economic centres are desirable.

For those with the task of selling the region abroad it can often seem that the "one-voice approach" is drowned in a chorus of competing claims based on self-interest. Attempts to create unity have served only to emphasise disunity.

Inward, the region's inward investment agency, has learned much from the demise of its predecessor, Norwida, and has wisely avoided the grand design of regional unity. Instead, in the three years since its formation, Inward has concentrated on strengthening the shared economic aspirations of the region's business sector. It is practicality at the expense of ideology.

Two-thirds of Inward's board now comes from the private sector. The bulk of its £900,000 budget is from central government through the Invest in Britain Agency, bnt business contributions form a crucial and growing part of its hudget.

Inward now has 80 company members, each donating a minimum of £1,050. The membership, given impetus by the quality of the board, is growing. Recent additions inclnde Mr David Plowright of Granada Television and Mr John Ashcroft of Coloroll.

The agency's 36 local authority members are not truly representative of the regional economy. A number of large metropolitan anthorities, including Manchester and Stockport, have so far refused to join.

In spite of this imbalance, Inward, under Mr Ken Medlock, chairman, and Mr Basil Jeuda, chief executive, has proved vigorously effective in selling the region's attractions to foreign companies.

A permanent office in Chicago and representation through a consultancy in Tokyo accounts for less than 25 per cent of the annual expenditure, hut provide the leading edge of the agency's marketing campaign. This overseas staffing level is likely to increase as the agency looks towards other Pacific rim nations.

In absolnte terms, the agency has been successful. More than 44 projects have been attracted to the region, representing a capital spend of well over £100m. Mr Jeuda claims this investment has created or protected more than 1,600 jobs.

Notable successes include the attraction of James Rivers Corporation to Runcorn, Nissan Kizai to Denton in Greater Manchester and Sanko Gosei, one of Japan's leading plastics companies, to Skelmersdale.

However, the big success has so far proved elusive. The agency put forward sites in Rochdale, Speke and Warrington for the new Toyota plant, but was not on the short-list.

A joint study with English Estates has been undertaken to pinpoint strategic sites in the region and the agency has become heavily involved in promoting initiatives to provide infrastructure.

According to Mr Jeuda, the new approach is necessary to escape from the routine of simply responding to inquiries.

The scope of the agency's activities is restricted by a budget that seems inadequate for the task, hut a combination of management accounting and low starting levels mean that administration costs are negligible.

The problem of the region's poor image remains acute. Although in the US and Japan there is little perception of the North West as an economic entity, there is an exaggerated acceptance of a north-sonth divide within the UK.

Mr Ken Medlock believes Inward and organisations snch as the Warrington and Runcorn Development Corporation have done much to overcome the "poor north" image abroad, though he admits that the battle is far from won.

The leap forward may depend on a better image for the agency within the North West itself. The feeling within Inward is that its achievements are not fully recognised.

As the economic climate improves, the agency is finding growing interest from the UK rather than from foreign companies – 20 per cent of inquiries now emanate from the UK.

Despite its success, the feeling that the organisation is too small for its task is overwhelming. Over the next few years funding from Invest in Britain will be cut as a proportion of total funding.

The most obvious option for the agency is to sell its considerable expertise to the private sector, but that would not be popular within the agency itself. "It just would not work. It would destroy the whole ethos of what we are trying to do. Generating funds would gradually take priority," said Mr Medlock.

The better, and most unlikely solution, is that the major local authorities can be persuaded to judge the agency on its record and recognise that without it the prospects for regional economic recovery are diminished.

Martin Regan

Engine in need of more thrust

Continued from Page 1

at Clitheroe, in north-east Lancashire, and Kendal, Penrith and Windermere in Cumbria, all with under 4 per cent.

However, that comparison is poor because of sparseness of population. More significant is the male unemployment rate in Macclesfield, east Cheshire, which is 5.5 per cent, or Preston (8.8 per cent) or Warrington (8.3 per cent).

The east-west divide in Cheshire is considerable, for the male unemployment rate in the west, in Wirral and Chester, is the region's second worst at 16.6 per cent. Other older areas with narrow industrial bases are in similar, though less acute difficulty: Wigan and St Helens (15.8 per cent), Widnes and Runcorn (14.7), Bolton and Bury (13.1), and Rochdale (13.0) are typical examples.

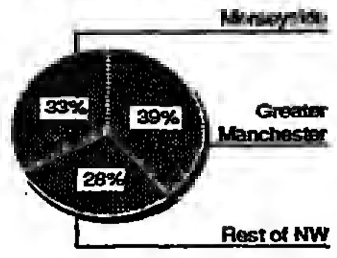
The clear moral seems to be that job chances are enhanced by living near Manchester Airport, whether in the south of the conurbation or in the leafier towns and villages of Cheshire, or along the M6, M56 and M62 corridors – though not in the Bolton-Rochdale elbow of the M61 and M62 or west of Warrington.

These desirable areas are where new high technology industry is concentrating, where the manufacturing base is already diverse and where the mix of businesses by size is widest, with a resultant local inter-trading economy for the small fry.

Of course, there are many successful businesses and people in the areas of high unemployment – where between 80 and 90 per cent of people are in work anyway, many earning good money and living well – but they are thinner on the ground.

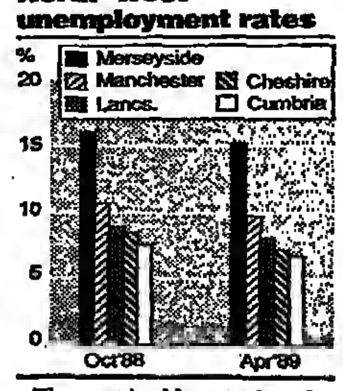
North-West jobless

Manchester & Merseyside



October 1988 to April 1989

North-West unemployment rates



The most able people who cannot get jobs or who see their opportunities as too limited are voting with their feet. Merseyside lost 2.1 per cent of its population in 1981-84 and 2.3 per cent in 1984-87, about 11,000 people a year.

Warrington showed gains of 6.1 per cent and 3.6 per cent in the same periods; Congleton, near Macclesfield, grew by 2.5 and 3.1 per cent; Cheshire as a whole by 4.8 and a ½ per cent.

Indeed, market forces are in full flow in North West England. If the national economy should now falter, the areas with the highest unemployment and the narrowest economies look set to feel the draught again.

INSIDE

Boosted by the American effect

Yale and Valor, the security products and domestic appliances group chaired by Mr Michael Montague (left), increased pre-tax profits by 43 per cent to £49.3m ($77.4m) in the 12 months to March 31. The advance reflected the first full-year contribution from US-based Yala and NuTone, which the much smaller Valor bought for £283m in 1987. The US accounted for more than half of turnover and for 69 per cent of group operating profits. Clay Harris reports. Page 31

Rude awakenings

Mr Inigo da Oriol a Ybarra is not happy. The chairman of Hidroelectrica Espanola, Spain's biggest privately-owned utility, has woken up a number of times in recent weeks to reports in the Spanish press that the company has been heavily buying up its own stock in order to float il on European markets. He denies this, but the reports are not totally without foundation: his company plans to apply for a quotation in Zurich in the autumn and will try to do the sama in London and Frankfurt next year. Page 26

Worsening prospects

After 10 years of spectacular and uninterrupted growth in output, the Australian gold mining industry faces the prospect of the boom fizzling out as quickly as it arrived, leaving behind dozens of deserted mines, hundreds of failed companies and a string of takeovers as smallar gold miners ara gobbled up by largar ones. Kenneth Gooding reports. Page 36

Germany's gain

A two-week surge in the West German stock market pushed the FAZ index through the key 600 barriar yesterday to a post-crash high. The market's buoyancy has been triggered by a shift of attitude towards the strong dollar, Alison Maitland reports. Page 48

At the corner

After two years of losses, Management Science Amarica, the US mainframe computer software house, may now be turning the corner. The Atlanta, Georgia company, which specialises in supplying software to the finance, banking and manufacturing sectors, returned to profitability in the first quartar of this year following nine months of dramatic restructuring and a re-focused product atrategy. Della Bradshaw examines the turn-round. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
D. Babcock	183.5	+	7
Degussa	457	+	6
Volkswagen	415.5	+	11.7
Falls			
Lufthansa	186	–	1.8
Nixdorf	313.7	–	6.3
Schering	667.5	–	2.5

NEW YORK ($)

Rises			
Am Med. Int.	$22\frac{1}{2}$	+	$\frac{3}{8}$
Eastman Kodak	$50\frac{5}{8}$	+	$1\frac{1}{4}$
Paramount	$58\frac{3}{8}$	+	$3\frac{3}{8}$
Warner Comms.	$56\frac{1}{2}$	+	$3\frac{1}{4}$
Falls			
Atlantic Rich.	$91\frac{5}{8}$	–	$1\frac{3}{4}$
Time Inc.	168	–	2

PARIS (FFr)

Rises			
Comp. Modernes	1205	+	57
Crouzet	826	+	70
Raffinage	177	+	9.5
Falls			
Alspi	356	–	9.7
Radiotechnique	640	–	19.5
Roussel	926	–	40

TOKYO (Yen)

Rises			
Shiroki	1240	+	200
Taihei Dengyo	1350	+	160
Toyo Elect.	1540	+	200
Toyo Eng.	1520	+	200
Falls			
Tanifuji Mach.	1100	–	100
Tokyu Store	1400	–	100

LONDON (Pence)

Rises			
BAT Inds.	636	+	32
Body Shop	673	+	38
Boots	296	+	9
Britannic	428	+	31
Brit. Gas	$184\frac{1}{2}$	+	$4\frac{1}{2}$
Brit. Telecom	269	+	$8\frac{1}{2}$
Burmah	589	+	12
Cons. Gold Flds.	1258	+	48
Hanover Druce	146	+	6
Hawker Sidd.	720	+	12
Jaguar	362	+	12
Midland	363	+	15
Palmerston	262	+	22
RMC	759	+	15
Racal Elect.	565	+	7
Reckitt Colman	1148	+	21
Reed Int.	402	+	15
Rotork	170	+	10
Std. Chartered	526	+	14
Utd. News	447	+	11
Whitbread A	360	+	11
Falls			
VPI Grp.	121	–	17

Hanson sells Midland holding

By David Lascelles and Nikki Tait in London

HANSON, the UK industrial conglomerate, yesterday sold its 5.2 per cent stake in Midland Bank, ending an 18-month long interest in the UK clearer.

The purchaser was believed to be the Kuwait Investment Office, which already holds a 5.1 per cent stake in Midland, but the KIO's London office would neither confirm nor deny market rumours yesterday.

If the KIO is indeed the purchaser, the government-owned agency would be the Midland's second largest shareholder after tha Hongkong and Shanghai Bank, which has 14.9 per cent under a special arrangement which is expected to lead to a merger between the two banks.

Hanson said it sold the stake yesterday morning after it was approached by a buyer offering "a substantial premium" to the market price. It would not say what the price was, but dealers said it was in the region of 360p, giving a total value to the deal of about £137m ($215m). Hanson also said that it made a profit on the investment, which it acquired in September 1987.

Lord Hanson, Hanson's chairman, contacted Sir Kit McMahon, Midland's chairman, to assure him that he still had every confidence in Midland's strategy and express the hope that relations between the two companies would continue to flourish.

News of the sale sent shock waves through the banking sector of the stock market, where speculation abont Midland's ownership is never far below the surface. Midland's shares immediately gained 45p hut later relapsed to close the day at 363p, a net gain of 18p. Other bank shares also became swept up in the excitement and rose strongly.

The initial assumption was thet the Hongkong and Shanghai Bank was the purchaser, particularly with the current npheavals in China adding to its local uncertainties. But the bank's London branch denied this.

Under an arrangement set up in November 1987, the Hongkong Bank acquired 14.9 per cent, but agreed not to increase it for three years without Midland's prior agreement. Although the aim of a complete merger has never been formally stated hy either side, both banks consider this to be a strong possibility.

Should the purchaser of yesterday's stake be confirmed as the KIO, this need not affect the two banks' plans. The KIO has traditionally proved to be a passive investor and is unlikely to have any designs of its own.

Under UK law, the purchaser will have to identify itself within five days.

Lex, Page 24

Nixdorf to omit 1989 dividend

By David Marsh in Bonn

NIXDORF, the troubled West German compnter group, declared yesterday that it would not pay a dividend for 1989 as a result of continuing heavy losses.

Mr Klaus Luft, the chairman, told the annual meeting in Paderborn yesterday that losses in the first quarter this year, which last week were stated at ahout DM150m ($76.1m), would continue at about the same rate in the second quarter. However, Mr Luft told shareholders that a return to operating profits could be expected in the second half.

The passing of a 1989 dividend comes after the company cut its 1988 payout following a slide into the red last year, four years after it went to the bourse in 1984. The 1988 dividend is being reduced to DM4 from DM10 for preference shares, with tha voting shareholders (the Nixdorf family and two foundations) receiving nothing.

Mr Luft said the company was suffering from increasing competition and lower margins. Nixdorf is putting into effact a programme to cut about 1,600 jobs. About 1,100 people out of a workforce of roughly 30,000 have left the company.

Mr Luft said Nixdorf was planning co-operation with a range of partners in different technological areas as a way of cutting costs. Nixdorf has been the subject of persistent speculation that it could be taken over by a bigger group.

Last year, Nixdorf made a pretax loss on normal operations of DM60m, compared with a profit of DM331m in 1987. It suffered above all from higher memory chip costs and the increasing pace of innovation and competitive change on world markets.

Murdoch investment fund faces delay

By Raymond Snoddy in London

MR RUPERT Murdoch, chief executiva of Naws Corporation confirmed yesterday that his new $1hn media investment fund, Media Partners International would be delayed.

The fund, which would allow Mr Murdoch to continne his expansion, albeit with a range of ontside investors' money, was supposed to be completed by the end of this month.

So far firm commitments have been received for abont $450m.

Mr Murdoch said yesterday MPI would definitely go ahead but conceded probably not before "the end of the summer."

There have been reports of considerahle resistance hy potential investors to the idea of effectively making a "blind bet" on Mr Murdoch, and to the fact that the deal also involves News Corporation selling its Harper & Row and Collins pnblishing interests to the fund to rednce News Corp debt.

The News Corporation chief executive said that apart from the $450m in firm commitments, several large Japanese investors were interested in taking part in the fund, which would concentrate on media acquisitions in continental Europe.

In the meantime, News Corporation has set np a $50m to $100m joint venture company with Credit Suisse First Boston "to hold the books" of the venture and take debt off the News Corp balance sheet until MPI is formally set up.

CS First Boston is organising the MPI private placing.

News Corp will have at least 20 per cent of the new venture and Mr Murdoch will have a 10-year management contract.

Isosceles buys 10% of Gateway

By Nikki Tait in London

THE £1.87bn ($2.93bn) leveraged bid battle for Gateway, Britain's third largest food retailer intensified yesterday afternoon, as predator Isosceles made a second market raid on its target's shares, picking up just over 10 per cent.

Isosceles, a newly-formed company, had already acquired a 5.6 per cent interest, so its total stake now stands at well over 15 per cent. This has been bought at a cost of around £300m.

Adding in the shares which parties acting in concert with the bidder own or manage on a discretionary basis, and the acceptances already received from outside shareholders, Isosceles now claims to control more than 23 per cent of Gateway's shares.

Yesterday's raid came as the bidder posted its revised offer document for Gateway. In it, Isosceles again hits out at its target, claiming that the "failure to perform leads to under-investment and traps Gateway in a vicious circle which the present board is unwilling or unable to break".

The bidder tells shareholders: "Statements of unsuhstantiated optimism will not hreak the vicious circle and give no comfort that the value you have lost over the last three years will be made good."

Isosceles goes on to attack the latest document from Gateway – which, it says, answers none of its questions about the group's profits estimate for 1988-89 or the group's strategic direction. It also criticises the property valuation, which suggested that the UK and Irish properties are worth £1.078bn – hut excludes Herman's, Gateway's US sporting good retail subsidiary – saying it is "heavily qualified and hurried."

This, however, brought a tart response from Gateway, which said that there was nothing new in the latest Isosceles missive. It again claimed that the 210p-a-share offer was inadequate.

While Isosceles brokers were wading into the market, M&G, Britain's largest unit trust group and Gateway's second largest shareholder, also disclosed a modest increase in its stake in the company.

It has acquired a further 500,000 shares at 208p – slightly below the bid offer price – taking its total holding to 51.6m shares or 5.8 per cent.

Commenting on the increase, M&G said only that it believed Gateway was an undervalued company. It added that it did not think that the Isosceles offer put a full value on the group.

Meanwhile, Gateway would not comment on its attempts to find an alternative solution for shareholders. Yesterday, Mr Alec Monk, chairman, said only that he did not believe that the latest share purchases hy Isosceles would have any bearing on the outcome on this front.

Isosceles says that in the event of the bid failing and no alternative offer being made, its equity backers – which include four institutions – are at risk on the cost of the Gateway share purchases.

Lex, Page 24

British Gas profits up despite a mild winter

By Max Wilkinson, Resources Editor

Sir Denis Rooke: tariffs had fallen 9 per cent

BRITISH GAS yesterday reported increased profits and a healthy rise in its dividend, despite the batterings which it received last year for high prices from the Monopolies Commission, the UK Government-appointed regulator, lower real gas prices and a mild winter.

Sir Denis Rooke, presenting his last set of annual results before retiring as chairman in a few weeks' time, said: "Exceptionally mild winter weather, easily the warmest for ovar a century, masked continuing underlying growth in the volume of sales to tariff customers."

The corporation announced a 12¼ per cent increase to a dividend of 9p per share for 1988/89, after increasing its pre-tax profits 4.6 per cent to £1.05bn ($1.64bn) on a current cost basis. On an historic basis the pre-tax result advanced from £1.26bn to £1.33bn.

Sir Denis said that the corporation gained 350,000 new customers, and around 600,000 new gas central heating systems were installed during the year.

As a result of recommendations by the Monopolies Commission, British Gas has heen required to publish a schedule of tariffs for industrial customers and will shortly he publishing tariff guidelines for any competitor which wishes to use its pipelines. It has also been forced to submit to the general supervision of the Office of Gas Supply in the industrial market.

Sir Denis called the monopolies report disappointing and said it "did not do justice to our achievements in developing a wider market for natural gas."

As a result of the operation of the regulatory formula which governs gas prices in the domestic market, Sir Denis said that tariffs had fallen by 9 per cent in real terms in the two calendar years since the corporation was privatised. This reflects the fall in North Sea gas costs.

However, turnover for the year ended March 31 1989 was £7.53bn, 2.2 per cent higher than in the previous year. Higher income from exploration and production, reflecting increasing contributions from the recently purchased Tenneco Oil and Gas, and Acre Oil and Bow Valley in Canada, offset some decline in income from sales of gas.

In the commercial market, the volume of sales was slightly lower than in the previous year, although revenue was maintained. However, sales to industrial customers fell by 9.6 per cent in volume and by 0.8 per cent terms of revenue per therm.

Lex, Page 24

Veba acquires stake in Schenker

By David Marsh in Bonn

VEBA, the West German energy and chemicals group, is taking a 22.5 per cent stake in Schenker, a transport company at present wholly owned hy the German federal railways, in a deal worth DM155m ($78.6m).

The acquisition, which amounts to a partial privatisation of the federal railway's largest subsidiary, will add furthar to Veba's reach in the domestic and international freight business.

During the last two years Veba has developed into one of the most expansionary of Germany's largest companies, and has just completed acquisition of 46 per cent of the Feldmühle Nohel industrial group for DM1.3bn.

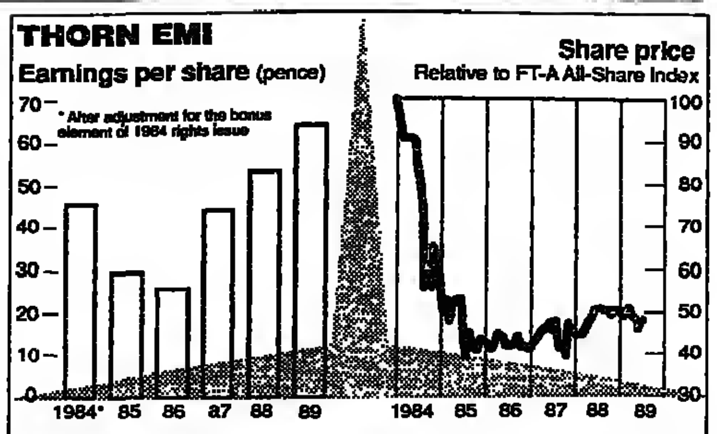
Tha purchasa, which was approved yesterday by the federal railway's board, will be made hy Veba's transport subsidiary, Hugo Stinnes. Accompanying the Stinnes transaction, Schenker, which has turnover of DM7bn and a workforce of 11,500, is raising its nominal capital hy DM100m to DM230m.

The capital increasa is designed to improve Schenker's overall financial resources and boost its competitive strength, particularly in view of plans to integrate more closely the European Community's transport businesses.

Stinnes, with a turnover of DM3.4 bn last year, has been huilding up its business in the chemicals handling area especially. It said it viewed the participation as a financial investment for the moment and had no plans to increase the stake beyond 22.5 per cent.

Full privatisation of Schenker would be highly unpopular with trade unions, and would be likely to run into opposition within the Bonn government. However, the centre-right coalition has indicated that it sees introduction of private capital into Schenker as a way of improving the company's relatively small profits.

Schenker's husiness has suffered in recent years from general weakness on rail freight markets. Last year its transport earnings rose 2.2 per cent to DM337m.



Major disposals

Date	Company	Sector	Consideration
1986	Screen Entertainment	Entertainment	£128m
1986	Thorn EMI Heating	Heating	£24m
1987	MDA	Domestic appliances	£70m
1987	Ferguson	TV manufacture	£90m
1988	50% of Thorn Ericsson	Telecoms manufacture	£55m
1989	Inmos	Semiconductors	10% of SGS-Thomson
1989	Meters	Gas meters	£62m

Major acquisitions

1987	Rent-a-Center	Rental	£371m
1987	Granada continental rental businesses	Rental	£64m
1988	FTS	Software	£35m
1988	Holophane/Europhane	Lighting	£87m
1988	ALI	Lighting	A$62.1m
1989	50% of Chrysalis	Records	£46m
1989	SBK	Music publishing	$295m

Schlumberger in deal with Thorn

By Hugo Dixon in London

THORN EMI, the much restructured UK conglomerate, yesterday reported a 21 per cent jump in earnings per ahare to 64.2p for the year to the eod of March. The results, which were at the high end of expectations, continued the group's recovery since the mid-1980s as greater focus in its husinesses has produced heoefits in terms of sharply increased margins.

Profit before tax grew 28 per cent to £289m ($453.7m) on an 8 per cent increase in turnover to £3.29hn.

Thorn also said that it had sold its gas meters division to Schlumberger, the oilfields services and measurement group, for £62m in cash. This division made operating profits of £5.1m in the last financial year.

The sale of the gas meters business is the first element of a three-part disposal announced earlier this week, the rest of which will involve selliog its defence electronics and Kenwood food mixer businesses. The company said that these sales would reduce gearing to zero, implying that it expects to receive s total of about £400m for the three husinesses.

Mr Colin Southgate, Thorn's chairman and chief executive, said it had no intention of making any further disposals at the moment. However, he said he would like to build up through acquisitions the group's three core areas of rental, music and lighting. The most likely move would be to buy a lighting company in North America, where Thorn is not represented, he said.

Thorn's results showed that the management has continued its policy of spreading its activities on a geographical and sectoral basis.

The only bad spot in Thorn's figures was a loss of £12m suffered by Rumbelows, its electrical retailer. Thorn put in a new managing director three weeks ago with the aim of making it hreak even hy the autumn.

The rental and retail division as a whole saw profits before interest and tax grow 7 per cent to £158.5m, huoyed hy strong profit growth of its US subsidiary, Rent-a-Center.

The music divisioo's profits increased 40 per cent to £53.5m, as its North American operations returned to profit after several bad years. Profits in the lighting division shot up 115 per cent as recent acquisitions were successfully integrated.

The technology division, which includes its software and security businesses as well ss other high-tech companies it has already sold or is planning to sell, schieved s 22 per cent growth in profits to £54.6m.

The board is recommeoding a 23 per cent increase in the dividend to 27p.

Lex, Page 24

Boots beats City forecasts with 25% income rise

By Maggie Urry in London

PROFITS from Boots, the UK retail chemist and pharmaceutical group, have beaten brokers' forecasts, showing a near 25 per cent rise at the pre-tax level to £295m ($461m).

This figure compares with £236.3m in the previous year, and excludes property profits of £11.7m.

The London Stock Exchange had been expecting around £285m, and the shares rose 9p to 296p.

Mr Robert Gunn, chairman, attributed the success to a "quiet revolution which started some years ago." He said that the group had redesigned stores, increased efficiency and concentrated resources.

The current year would see a tougher retail environment, Mr Gunn said, but he added that Boots usually suffered less than other retailers in stringent times.

Group sales rose 4.5 per cent to £2.7bn compared with £2.59bn, and net margins, excluding property profits, were up by 1.8 percentage points to 10.9 per cent.

The retail chemists' division had been the main engine of growth, showing a 30.5 per cent rise in pre-tax profits on a comparable basis, to £184.8m. The increase was achieved on a sales gain of 8.1 per cent to £2.1bn.

Sir James Blyth, chief executive, who joined the group 18 months ago, said that gross margins in the retail business were up 1.8 percentage points. Two thirds of the group's 1,050 Boots the Chemists stores had been refurbished, and the rest would be done by the year end.

More high added-value merchandise had been brought in, with own brand goods now making up 39 per cent of sales. The chain of 50 Underwoods stores acquired in January had either been converted to Boots stores or sold. The 37 stores retained had produced higher sales than the 50 shops had done under Underwoods.

In the pharmaceutical division profits were £95m, up 5.4 per cent on a comparable basis. Research and development spending had increased by 16 per cent.

Lex, Page 24

TDK spends $122m on European factory

By Tim Dickson in Luxembourg

TDK of Japan yesterday unveiled plans to invest around LuxFr5bn ($122m) in a new audio-tape and video-tape factory in the Grand Duchy of Luxembourg.

Scheduled to open in November 1990, the unit will have a production capacity of 7m audio tapes and 4m video tapes per month, and is expected to employ 500-600 people when it is fully operational in 1991.

TDK recorded sales of $3.4bn in 1988 and is the world's leading producer of the ferrite magnetic material used in many electronic components. This is the biggest Japanese inward investment in the European Community's smallest member state, though the US multinationals Goodyear and Du Pont, will remain the largest foreign-owned businesses.

The Japanese company already has a West German subsidiary near Frankfurt that assembles audio cassettes.

The decision to expand in Europe is based on the company's policy of stepping up "in-market production volume," while the choice of Luxembourg was based on the Grand Duchy's central location as a distribution point for the British, French and West German markets.

Luxembourg has provided an undisclosed package of grants and fiscal incentives, but yesterday TDK made it clear that the financial inducements on offer elsewhere had been more attractive.

The TDK investment, which is its first venture into full scale production (including tape coating) of recording media outside Japan, is a major boost for Luxembourg's policy of seeking new industries to replace its once-powerful steel sector.

Situated close to both the French and Belgian borders at Bascharage, the new factory is expected to attract a high proportion of so-called "frontalieres" – employees who work in Luxembourg but who live in neighbouring countries. Local unemployment in the Grand Duchy is just 1.5 per cent.

Hidrola aims for sparks in its stock

Peter Bruce on a Spanish utility that wants more investment from the rest of Europe

Autocartera is a dirty word in Spain. It means treasury stock, the shares a company owns in itself. Common in Spanish business for years, it has won notoriety because banks have built up big treasury stocks and have had difficulty getting rid of it.

The word makes Mr Inigo de Oriol e Ybarra cross. Chairman of Spain's biggest privately owned electrical utility, Hidroelectrica Espanola (Hidrola), he has read several confident reports in the Spanish press in the past few weeks alleging that Hidrola has bought its stock to float it on European stock markets.

"I don't have autocartera," he says. "We have never bought our own stock. Someone called me the other day and asked me to sell him 100,000 shares and I had to tell him we didn't have them."

But the reports were on the right track. Hidrola plans to apply for a listing in Zurich in the autumn, and in London and Frankfurt next year. Since April, as a sweetener to Swiss investors, a Hidrola subsidiary has been buying small parcels of stock on the Spanish markets and passing them on to interested Swiss institutions to generate enthusiasm about the stock.

Hidrola, like most Spanish utilities, devours debt and new capital. After the 1973 oil crisis, the industry spent heavily on restructuring to move from oil-fired plant to build new coal and nuclear power stations. In the process it accumulated borrowings of Pta3,900bn ($30.5bn).

Hidrola's restructuring is just coming to an end, with completion of its huge Cortes La-Muela hydroelectric project near Valencia. It has long-term debts of Pta 811bn.

Spain's capital markets are small, and though local banks use the utilities and their protected markets as a safe credit haven, Hidrola and its competitors (in fact the utilities do not compete: the state decides which area each utility will serve and sets prices) now need new capital to reduce gearing.

Mr Oriol wants to tap European funds whose legal ability to invest in stock quoted outside their national markets is limited.

The company distributes almost 20 per cent of Spain's electricity and is its biggest user of nuclear power. It is the sole source of electricity to the Spanish Levante, including Valencia, Alicante and Cartagena, and it supplies 42 per cent of the electricity to Madrid province. It acquired the loss-making Catalan utility, Hidruna, in 1985, and expects Hidruna to make a profit this year.

Hidrola is also being generously compensated by the state for the decision to halt construction on the large Valdecaballeros nuclear plant in Extremadura.

Hidrola owns this plant jointly with Sevillana, the Andalucian utility. Work on Valdecaballeros, and on three other plants, was stopped in 1984 when the Government decided that the industry had overestimated the need for nuclear power when it scrambled to get out of fuel oil after the oil crisis of 1973.

The nuclear programme generated huge debt. Hidrola's long-term debt has more than doubled since 1982. But most of the utility companies have managed to maintain or increase dividends despite rising Spanish interest rates. Hidrola is paying 9.25 per cent this year, up markedly on last year's 6.5 per cent.

Improving cash-flow as new plant begins to operate will help cut interest payments, but the industry still has a problem with the quality of its profits. As new plant is built, utilities capitalise loans and interest payments, and only put them through the profit and loss account when the plant is complete and depreciation begins.

These deferred costs represented some 210 per cent of Hidrola's pre-tax profit last year. Hidrola reported a 29 per cent increase in 1988 net profit – to Pta 21.8bn – but, technically, it and most other utilities are making losses.

Under a new pricing agreement between Government and industry, the companies are allowed to further defer the costs of bringing a plant on-stream for five years. But the final effect on profits can be traumatic.

Failure to deal with debt quickly also means that if the Government was to give Hidrola and Sevillana permission to finish building Valdecaballeros they could be worse off. Of all the nuclear plants stopped in 1984, Valdecaballeros, or at least one unit there, is most likely to get the green light in a new energy plan to be drawn up after 1990. Poor rains this year have strengthened the case for extra nuclear capacity in the industry.

But if work goes ahead, state compensation stops and the two companies would have to begin borrowing again just when they would be hoping to wrestle down their present debts.

There is little evidence, though, that the quality of profits bothers the kind of investors Mr Oriol is looking for in Europe. By some estimates, foreigners already own more than 20 per cent of Hidrola.

Anyway, the long-term threats to Hidrola and the industry are political. At home, private utilities are trying, with little success, to push the Government into lowering the price of electricity they are forced to buy from Endesa, the state-owned utility.

The other threat is a liberalised European market for electricity after 1992. Already, French efforts to export cheap nuclear-generated electricity through Spain to Portugal – at half the Spanish price – have put local utilities on the defensive.

Heavily regulated industries such as electricity, fuel, tobacco and telecommunications could do most damage to Spain's commitment to the single European market. Hidrola's search for new European shareholders is an implicit recognition of the troubles that may lie in store.

Former Ford chief may be tempted to VW board

By David Marsh

MR DANIEL Goeudevert, the former chairman of the West German subsidiary of the Ford car company, is likely to take over a top management post at Volkswagen.

VW, the largest volume German car-maker, confirmed yesterday that it was talking to Mr Goeudevert about recruiting him for the job of management board member responsible for purchasing and logistics.

VW said it was discussing a successor for Mr Horst Muenzner, who retires from the board at the end of the year. The VW supervisory board, which meets on July 12, will decide on the matter.

Mr Goeudevert, 47, is a Frenchman who headed Ford's German subsidiary for eight years. He resigned from that job on May 1. He is a controversial figure in the European motor industry, and a former lecturer on literature at the Sorbonne in Paris.

When leaving Ford, he said he wanted to quit the car sector to start up an international business school in Germany.

However, it seems that Volkswagen may be able to tempt Mr Goeudevert back to the car industry more quickly than he had imagined. Mr Goeudevert is likely to earn more than DM1m ($500,000) as a VW board member.

If he joins the company, speculation is bound to be rampant that the ex-Ford manager will be groomed as a potential successor to Mr Carl Hahn, the chairman, who is 62.

Carlsberg boosts profits and home market share

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish brewer, increased first-half pre-tax profits by 11 per cent to DKr511m ($66m) on sales that rose by 4 per cent to DKr4.71bn.

The modest growth in sales reflects the divestment of two subsidiaries, Cold Stores and Glent and Company, since last year's first half.

The group expects profits for the year to be in line with 1988, when pre-tax earnings totalled DKr924m on turnover of DKr10bn.

The results from the Carlsberg and Tuborg breweries abroad showed a slightly improved performance, said the company.

Earnings in the Danish market were just maintained, although the group increased its market shares.

The industrial arts subsidiary, Royal Copenhagen, which includes porcelain, glass and silverware, doubled profits to DKr34m on sales up by 13 per cent to DKr884m.

Carlsberg has breweries in 27 countries. Its beer and soft drinks sector accounts for 70 per cent of group sales.

The brewing operations account for more than 90 per cent of Carlsberg's total profits.

● East Asiatic, the trading and industrial group with interests in China, increased sales and operating profits in six of its seven divisions in the first quarter, but gave no figures.

Bumper year for German ball bearings maker

KUGELFISCHER Georg Schaefer, the West German ball bearings maker, yesterday reported a strong profits recovery and said that a good year this year could enable a higher dividend to be paid for 1989, AP-DJ reports.

The company said that group net profit rose by 18 per cent to DM63.4m ($32m) last year after tumbling by 43 per cent to DM53.7m in 1987.

Kugelfischer said it was preparing to pay a dividend of DM7 a share, up from DM5 the previous year.

This year is proving to be a bumper one for trade, the company said.

Provided orders continue to flow in, the company did not rule out raising the dividend again for 1989.

Christiania posts strong recovery to NKr479m net

By Karen Fossli in Oslo

NORWAY'S leading bank, Christiania, reports a strong recovery for the first four months of 1989: against a loss last year of NKr1m, the group has achieved a net profit of NKr479m ($66.7m).

The figures represent the bank's best four-month performance. Loan losses and tax have been taken into account but not extraordinary items.

Christiania said that its turnround was due primarily to the improved stock market, a decline in interest rates and improved interest rate margins, which widened to 3.66 per cent against 2.66 per cent.

The bank said it had reduced operational costs in the period by 7 per cent and that income from charges on banking transactions had improved. There were also gains from foreign exchange transactions.

The bank plans to increase its capital by a rights issue and to take further steps to make its shares available to foreign investors.

The rights is to be a one-for-four at NKr100 a share. It will raise around NKr740m.

At the same time there are plans to split share capital into two classes of stock, ordinary shares and free shares, which could be held by foreign or domestic investors. The bank said that both classes of shares would have equal voting rights.

The subscription period for Christiania's rights issue runs from July 17 to August 14.

INTERNATIONAL COMPANIES AND FINANCE

IEL deal shakes Goodman shares

By Chris Sherwell in Sydney

SHARES IN Goodman Fielder Wattie, the Australasian food giant, fell on the Australian and New Zealand stock exchanges yesterday as investors judged Sir Ron Brierley was securing the better deal in Goodman's takeover of his Industrial Equity (IEL).

Goodman's offer values IEL at A$1.8bn (US$1.4bn), and involves a cash outlay of A$1.1bn and the issue of 312m Goodman shares. Sir Ron's Brierley Investments (BIL) will accept for its 52 per cent of IEL, and if the bid is successful will pay Goodman Fielder A$1.1bn for IEL's Woolworths retail chain.

In Sydney yesterday, Goodman's shares finished at A$2.06, down 10 Australian cents from Wednesday and 27 cents since Monday. In Wellington the shares weakened 28 New Zealand cents on the day, to NZ$2.75. Shares in BIL and IEL meanwhile firmed in both centres.

Mr Pat Goodman, executive chairman of Goodman Fielder, spent yesterday trying to pacify disenchanted Australian institutional shareholders, including the AMP Society. Mr John Elliott, whose Elders IXL holds a significant off-balance sheet stake in the group, was also unhappy.

The unease stems from worries about IEL, and the issue of Goodman shares, which dilutes existing shareholdings. "If Pat Goodman wants to buy Southern Farmers [an IEL subsidiary] or Rod Price [IEL chief executive], that's beaut," said one investment manager. "But he can leave the rest. We don't know what's hidden in there."

Another analyst pointed out that the deal was initiated from the Brierley camp, as Mr Goodman himself has admitted, and that the above-market price paid for IEL shares represented a far better deal for BIL than for Goodman.

Goodman Fielder, which estimates it will have a market capitalisation of A$3bn and a ranking of 13th in Australia as a result of the deal, yesterday reaffirmed its intention of divesting itself of IEL's non-food related assets.

"If there is one thing we have learned from our experience with Ranks last year, it is that we have to have a strong balance sheet in order to expand globally," a Goodman official declared yesterday.

Last year, Goodman let a £1.7bn (US$2.7bn) bid for Ranks Hovis McDougall (RHM) lapse when it was referred to the Monopolies and Mergers Commission because of concern about the debt burden Goodman would have to shoulder.

According to Goodman figures, the group's acquisition of IEL will leave it with shareholders' funds of A$2.28bn, interest-bearing debt of A$2.6bn and total assets of A$6.2bn. With the sale of its share portfolio and other assets, debt would be A$575m and assets A$4.2bn.

Australian press comment on the IEL deal yesterday was uniformly negative, and saw it as an attempt by "New Zealand Inc" – namely Sir Ron and Mr Goodman himself, who have long been close – to stage a "Kiwi coup" which would secure and protect Goodman Fielder. That may be somewhat parochial, since the Brierley group and Goodman Fielder are nothing if not trans-Tasman, or Australasian, groups which are taking advantage of the two countries' uniquely close economic relations to build extensive interests abroad.

● Jarden Morgan, the New Zealand investment bank, said it had bought 5.1 per cent of IEL at A$2.40 per share and had agreed to sell the shares to Goodman Fielder, Reuter adds from Wellington.

Jarden told the New Zealand Stock Exchange the shares would be sold to Goodman at the same price, subject to approval from Australia's Foreign Investment Review Board.

Packer gains effective control of ANI

By Chris Sherwell

AN AVALANCHE of last-minute selling yesterday gave Mr Kerry Packer, Australia's richest man, effective control of Australian National Industries (ANI), the beleaguered engineering group.

Mr Packer's Consolidated Press Securities has stood in the market for the past month and acquired ANI shares offered at A$1.40 each, a price which values the group at almost A$750m (US$566.7m).

After one of the bitterest and most extensive advertising campaigns ever seen in an Australian corporate battle, Mr Packer had built up a stake of 48 to 50 per cent by the time his offer expired yesterday.

Of the institutional shareholders, the AMP Society remained the most steadfast in rejecting his offer. It is now the group's second largest shareholder, with around 8 per cent. Others, according to one of those involved in ANI's defence, were short-sighted and "like lemmings" were panicked into selling.

Two key issues determined the outcome: the precise size of ANI's exposure to the collapsed Spedley companies, and the responsibility of certain ANI directors for that exposure.

According to a memorandum sent out by ANI to its shareholders, the group's known potential exposure was A$221m, or A$146m after a likely income tax benefit. While the group would slide heavily into loss if the worst came to pass, it insisted that the A$1.40 offer greatly undervalued ANI's assets.

Mr Packer cast doubt on the size of the exposure, taking advantage of the fact that the A$221m figure, when published, was higher than generally realised. He also pointed out that no adequate explanation had been offered for the group's predicament, and no directors had resigned.

Further developments are expected today when the current board is due to meet. Mr Neil Jones, managing director, who had earlier stepped down as chairman, seems certain to go, and others involved in the Spedley affair may follow.

The failed companies – Spedley Holdings and Spedley Securities – were part of a complex business empire controlled by the entrepreneur Mr Brian Yuill which also included Greater Pacific Investments (GPI) and the quoted GPI Leisure.

ANI, which controls the British engineering group Aurora, held a 45 per cent stake in Spedley until earlier this year. Its exposure consisted chiefly of advances to Spedley and bills of exchange endorsed by GPI Leisure.

Big two Israeli banks in black

By Hugh Carnegy in Jerusalem

BANK HAPOALIM and Bank Leumi, Israel's two biggest banks, have announced a return to profitability in the first quarter of this year after net losses for the whole of 1988.

But profits were lower than the first quarter of last year and the unaudited results were marked by increased provisions for bad debts as the banks continued to take a conservative view of their loan portfolios after exceptionally heavy provisions at the end of 1988.

Taken together, Israeli banks set aside more than $1bn last year mainly as a result of a debt crisis in the country's co-operatives, the kibbutzim.

Bank Leumi said it had returned an inflation-adjusted first-quarter profit of Shl 42.5m ($23.4m), compared with Shl 55m in the first quarter of last year. Provisions were up by more than 50 per cent at Shl 82m.

The bank, earmarked by the Government as the first to be sold when the state begins to dispose of its majority bank shareholdings later this year, blamed a continuing recession in the Israeli economy and falling interest rates on loans for depressing revenues.

But Mr Moshe Zanbar, chairman, said he was hopeful the bank would return to annual profitability levels of some $100m.

Bank Hapoalim expressed its satisfaction over a net first-quarter profit of Shl 39m, after profits of Shl 51m in the same period last year.

Its provisions were also up by more than half at Shl 157m, but the bank said it was steadily improving its loan portfolio and increasing its market share in most areas of domestic operations.

Quarterly results from Israel's other main banks showed a similar pattern to the big two. Israel Discount Bank, the third largest group, showed a 25 per cent drop in net profits to Shl 19.3m.

With much less of a bad debt problem than its bigger rivals, IDB managed to stay in profit for the whole of 1988, but has still suffered from increased provisions and the local economic slowdown.

ERN to acquire 49% stake in Oakbridge

By Our Financial Staff

ELDERS Resources NZFP (ERN), a quoted offshoot of Mr John Elliott's Elders IXL, is to take a 49 per cent stake in Oakbridge, an Australian coal producer into which it will inject its own domestic coal interests.

Mr Grahame Mapp, Oakbridge chairman, said the plan would lead to a significant rationalisation of coal industry ownership and management in New South Wales, where the ERN mines are located.

It would allow Oakbridge to develop a new open-cut mine adjacent to Saxonvale, one of the main ERN operations involved in the deal. The enlarged group will have coal sales projected at 9m tonnes in 1989-90, providing export revenues of more than A$400m.

Oakbridge will recoup all the A$80m (US$60.4m) cost of purchasing the ERN interests by:

● Allotting ERN the stake comprising 90m new Oakbridge shares at 50 cents apiece, compared with a market price yesterday of 46 cents.

● Issuing to ERN 40m convertible notes, also at 50 cents, and 10m options exercisable at 75 cents by November 1991.

● Placing with unidentified third parties a further 30m shares at the same price paid by ERN.

Mr Geoff Lord, ERN chief executive, is to become deputy chairman at Oakbridge.

Japanese raider founders with record Y309bn debts

By Stefan Wagstyl in Tokyo

JAPAN yesterday recorded its biggest post-war bankruptcy when a property company controlled by Mr Yasuji Ikeda, a corporate raider, was declared insolvent with debts of Y309bn ($2.2bn).

The debts of Shinwa Kanko Kaihatsu, which channelled funds into Mr Ikeda's stock market operations, totalled Y309bn, according to statements filed at the Osaka District Court.

This was well above the previous record bankruptcy registered in 1985 when Toyota Shoji, a commodity trader, went under with debts of Y170bn mostly owed to hundreds of individual investors.

Shinwa Kanko is an affiliate of Cosmopolitan, Mr Ikeda's master company, which went bankrupt last year with debts of Y70bn. The debts were chalked up funding attempts by Cosmopolitan to buy and trade large stakes in listed companies. Cosmopolitan suffered heavy losses when share prices plunged in October 1987.

SA glass group advances

By Jim Jones in Johannesburg

PLATE GLASS & Shatterprufe Industries, the South African glass and building products distributor, lifted annual pre-tax profit by more than a third despite spending heavily to expand its Australian and North American interests.

Turnover increased to R2.76bn ($1bn) in the year to March from R2.32bn and the pre-tax profit was R232.5m against R174.0m.

The directors say start-up costs of the new American and Australian operations were equivalent to 154 cents a share against the year's net earnings of 482.7 cents.

In South Africa the group's glass and building board divisions raised domestic and export sales while the European glass division is reported to have traded particularly well.

The dividend has been raised to 222 cents from 185 cents.

Pratt in bid for OVS remainder

OVS Investmant, an Australian paper producer, has received a bid by Mr Richard Pratt, a Melbourne businessman who already owns 52.7 per cent of the company, AP-DJ reports from Melbourne.

He is offering A$1.85 a share for the remaining ordinary shares and A$1.78 for those created from a rights issue last November. The offer values OVS at A$270m (US$204m).

OVS controls Weir Paper Products in Scotland.

Lomas sells bank units to Merrill for $500m

By Janet Bush in New York

LOMAS Financial, the Texas-based financial services company, yesterday announced the sale of its retail banking and credit card subsidiary to Merrill Lynch Capital Partners for $500m in cash and preferred stock.

Lomas Bankers Corporation is a national retail banking services company and its subsidiary, Lomas Bank USA, is the 11th largest issuer of Mastercard and Visa credit cards in the country. It currently serves 1.7m credit card customers and had credit card receivables totalling $1.8bn at the end of March.

Mr Jess Hay, chairman of Lomas Financial, which bought the retail banking business in 1986, said he was pleased with the deal, which would ensure that Lomas Bankers would continue to trade as an independently operated company.

The company had received several bids for Lomas Bankers, some of which would have broken up the subsidiary.

The main motivation behind the sale was to reduce debt. Lomas Financial had been downgraded by rating agencies, which felt it was too highly leveraged.

The sale will reduce Lomas Financial's consolidated debt by $1.7bn or 30 per cent and materially improve its financial ratios. At the end of March, its debt totalled $5.6bn.

Merrill Lynch Capital Partners is a subsidiary of Merrill Lynch, the Wall Street securities house. It represents a group of investors who are interested in creating and part owning private companies.

MLCP will own the Lomas companies through an affiliate which will be capitalised with $65m in preferred stock, $100m in common equity and additional capital provided by MLCP and Morgan Guaranty Trust Company of New York.

The stockholders' equity will be held by the group of investors which includes a subsidiary of Lomas Financial, which intends to purchase for $10m a 10 per cent interest in the acquiring corporation.

The transaction is expected to be approved within 60 days.

INTERNATIONAL COMPANIES AND FINANCE

Software group bites IBM bullet

Della Bradshaw looks at how MSA's link is beginning to pay off

Following the tail-coats of IBM, the world's largest computer manufacturer, is not always the easiest trick to perform, as Management Science America (MSA), the US mainframe computer software house, discovered. But after two years of losses MSA, of Atlanta, Georgia, may now be turning the corner.

MSA, which specialises in supplying software to the finance, banking and manufacturing sectors, returned to profitability in the first quarter of this year following nine months of dramatic restructuring and a re-focused product strategy. After two years of losses the company showed a net income of $2.3m on a turnover of $63.2m for the first three months of 1989.

The positive results are largely the result of the restructuring – MSA shed 10 per cent of its 2,600 staff and closed several US offices. But its long-term health, like that of a clutch of other IBM software houses, will depend as much on IBM's efforts as on its own.

Following criticism for not having had a clear product strategy, MSA is to bite the bullet and tether its fortunes even more closely to those of IBM. The culmination of that closer relationship came at the end of last month when IBM bought a 5 per cent stake in MSA for $10m. (IBM followed the same strategy just a week after the MSA purchase when it bought 15.3 per cent of Computer Task Group, the Buffalo, New York, software house, for $21m.)

IBM's move followed an unequivocal commitment by MSA to make all its software compliant with the computer manufacturer's latest com

John Imlay: predicts the company will be profitable in 1989 as a whole

puter architecture, launched last month in New York with all the razzmatazz that IBM could muster.

Called Systems Application Architecture (SAA), the system has been developed so that software for the largest mainframe is compatible with that for the smallest personal computer – in the past software packages for IBM mainframes has differed from those used in smaller systems.

One of the competitive strengths of the Digital Equipment Corporation, the largest minicomputer manufacturer and main rival to IBM in corporate computing, has been the compatibility of its software across its hardware range.

A contributing factor in the squeeze on MSA's profitability was Digital Equipment's successful siege on the IBM mainframe market.

Further evidence of MSA's total commitment to IBM has been the appointment of a clutch of top executives, drafted in from the world's largest computer manufacturer over the past six months. Top of the list is Mr Jim Henderson, a 21-year IBM veteran, enticed from his job as marketing director of SAA to become MSA's senior vice president of marketing. Mr Don Vander Beke, also from IBM, joined earlier this year as the director in charge of developing business partners, and Mr Ed Kane as vice president for quality.

MSA's results were better than expected for the first quarter, traditionally the company's worst period, and US analysts are cautiously predicting that after several years in the wilderness MSA may be clawing its way back to long-term profitability on the back of SAA. That view has been confirmed now that MSA has been drawn so closely under IBM's wing.

In particular they believe the launch of MSA's BrightView software, the first MSA product to be compliant with SAA, will ensure that the Atlanta company maintains most of its existing customer base of 7,500 companies, and even expand its client list.

Mr John Imlay, chairman and chief executive officer, says he is "cautiously optimistic" about the future, and predicts the company will be profitable in 1989 as a whole.

But the company is not yet out of the woods. "One quarter does not a year make," says Mr Bill Evans, executive vice president and chief financial officer, who is one of the new breed of executives brought in at the beginning of this year.

Haunted by the proposed takeover bid a year ago by Computer Associates, the rival New Jersey-based software house, MSA is still worried its share price is not high enough to ward off a future bid. Computer Associates finally withdrew its offer, believing a hostile takeover bid would be anathema to a software company which relied almost totally on the calibre and commitment of its staff.

"The stock valuation is still only 75 per cent of our revenue," says Mr Evans. "We won't be happy until it's one to one. Until the share price is $15 or $16 a share we're still vulnerable."

The US investment community's growing enthusiasm for the stock has resulted in it rising from the $7 at which it started the year on the US Nasdaq exchange to around $11 this week.

Investment firm in $2bn American Medical bid

By James Buchan in New York

AMERICAN Medical International, the troubled Beverly Hills hospital management group, yesterday received a new offer from an investment firm which tentatively values it at $27 a share, or about $2bn.

The company, which has formed a special committee of its board to study rival offers, said it had received a letter from a New Jersey investment firm proposing the sale of tha company to a new employee stock ownership plan for $23 per share in cash and $4 in a low-grade security.

The letter came from Brian Freeman Enterprises, a Roseland, New Jersey, investment firm said to have experience in employee stock plans. Because of tax benefits, employee plans can borrow funds at slightly lower rates than conventional investors and have become modestly popular as takeover vehicles.

Brian Freeman would not comment on the deal or provide information about itself.

The announcement created some interest on Wall Street, where American Medical stock was up $⅝ at $22⅞. But AMI said the Brian Freeman proposal was still subject to the firm arranging financing.

Earlier this week, Clayton & Dubilier, a New York investment firm specialising in leveraged buy-outs, said it was highly confident it could raise financing for an offer of about $1.8bn, comprising $21 a share in cash and $3 in securities.

Seagram's first quarter boosted by acquisitions

By James Buchan

SEAGRAM, the big New York-based wine and spirits group, yesterday reported a sharp increase in net profits for the first quarter to April, thanks to contributions from businesses picked up in an acquisition spree over the past 18 months.

Seagram, controlled by the Bronfman family of Canada, said net income in the quarter rose 21 per cent to $196.5m or $2 a share on sales ahead 31 per cent to $1.25bn.

The company, which is the largest wine and spirits producer in the world, is in the throes of a reshaping of its business and last year acquired Martell, the world No 2 cognac maker, and Tropicana, the Florida orange juice company.

In the 1988 first quarter, Martell contributed no profits and Tropicana was included for only three weeks.

Seagram also enjoyed a strong contribution from its 23 per cent holding in Du Pont, the big US chemicals group. Du Pont is enjoying strong markets for most of its products and contributed $108.1m in profits to Seagram. Dividend income on the stake rose 24 per cent to $57.5m.

Mr David Sacks, president of Seagram, said the improved results also reflected continued growth in international operations.

● Northern Telecom, the largest telecommunications equipment manufacturer in Canada and second only to AT&T in the US, is to lay off 665 employees in Nashville as part of a reorganisation announced in December, AP-DJ reports.

Nestlé set for UK listing

By David Waller

NESTLE looks set to become the first Swiss company for decades to have its shares listed in London.

Mr Reto Domeniconi, tha food multinational's finance director, said yesterday tha listing was likely to be successful within two months and would be followed later in the year with one on the Tokyo Stock Exchange.

Last summer, during the £2.55bn ($3.98bn) bid for Rowntree of the UK, Nestlé indicated that some of the London disclosure requirements were too onerous.

Mr Domeniconi, in the UK yesterday to talk to institutional investors, said significant concessions had been won after months of negotiations.

There would be no need to disclose directors' salaries except on an aggregate basis and the group profit record need not be consolidated.

The London listing is part of Nestlé's plans to increase its access to international financial markets and boost the tradeability of its shares. No new money will be raised.

Last November's controversial decision to open its share register to foreigners was part of the same strategy.

INTERNATIONAL CAPITAL MARKETS

Row over Osaka options clarified

By Stefan Wagstyl in Tokyo

THE JAPANESE regulatory authorities yesterday cleared up what they said had been a "misunderstanding" over the access of foreign investors to a new market in stock index options which starts next Monday.

Foreign brokers said they had been led to believe that foreign clients would not be permitted to use the market on tha Osaka Stock Exchange until June 30.

Rumours flew about suggesting that Japanese brokers were deliberately being given a head start to compensate for their ralative inexparience in options trading.

However, the Japan Securities Dealers Association said yesterday that foreign brokers had misunderstood a rula which forbids trades to be carried out in a foreign currency.

There was never any question of keeping foreign investors out of the market, the association said yesterday. As long as the trades were carried out in yen, foreign investors were welcome.

Foreign brokers suspect the confusion may have been caused by an argument over the new options market, which will be based on the Nikkei 225 index, between the Osaka exchange and the Ministry of Finance. The ministry had wanted the exchange to delay the launch of the new contract until June 30, the day when the new Tokyo Financial Futures Exchange opens. Howaver, the Osaka exchange wanted to start earlier to gain maximum publicity. The Tokyo Stock Exchange is launching a separate contract based on the Tokyo Stock Price Index (Topix) in the autumn.

Canada rules out national securities body

By Robert Gibbens in Montreal

MR MICHAEL WILSON, Canada's Finance Minister, has poured cold water on suggestions that Ottawa should form a national securities commission to regulate stock markets and the investment industry.

However, he is leaving the door open to an expanding role for the federal Government because of the internationalisation of financial markets.

The provinces traditionally have jurisdiction over stock markets and the investment industry. The leader in the field of regulation is the Ontario Securities Commission, followed by the Quebec Securities Commission.

Co-operation allows the provincial bodies to avoid overlap and sometimes joint hearings are held to exercise quasi-judicial powers.

Mr Donald Blenkharn, chairman of the Commons Finance Committee, has suggested Canada needs a national SEC-type regulatory body because poor regulation of soma Canadian stock markats, particularly Vancouver, is creating a bad image abroad.

At times in the past 15 years, the investment industry itself had proposed a national securities commission, but always the provinces have objected, saying this would amount to a federal intrusion into provincial jurisdiction.

Mr Wilson told a private IDA conference in Ottawa that the basic division of supervisory responsibility should remain unchanged and both federal and provincial governments should continue to participate in regulating different aspects of the securities market.

But growing competition from foreign brokers in Canada and rising volume of international stock trading could force the federal Government to look at new ways of regulating stock markets.

"We may in the future have to revamp the regulatory system to handle growth in trans-border trading and the forces of automation and globalisation," it said.

This would not mean replacing the traditional role of the provinces, but Canada could not turn back from opening up its financial borders and already is part of the international capital markets.

Meanwhile, the Commons Finance Committee has announced a legal opinion showing that the Toronto Dominion Bank and the Bank of Nova Scotia are breaking the law by selling specific insurance products through their branch systems.

The Bank Act restricts the chartered banks from selling insurance products at retail. The federal superintendent of Financial Institutions is reviewing the legality of the practices of the two banks.

Insurance brokers in Ontario have protested against the bank being allowed to retail insurance because they feel it would seriously affect their business.

Hesitation over fixed-rate funds inhibits direction

By Andrew Freeman

NEW ISSUE activity on the Eurobond markets lacked direction yesterday, with borrowers reported to be hesitant to borrow in fixed-rate funds. Syndicate managers were unable to find new mandates in the dollar sector, despite their efforts to meet genuine investor demand. Many of the issues brought were targeted at specific accounts.

Credit Suisse First Boston was the lead manager of a £105m 15-year convertible preference share issue for United Newspapers Capital. The par-priced shares are convertible into Reuters 'B' shares and carried a coupon of 6 per cent.

Despite the volatility of the underlying Reuters stock and the lack of international demand for sterling, the deal met a good response, particularly from a range of UK and London-based institutions. The issue was increased from its original £100m size.

CSFB was quoting the paper at par bid, indicating strong demand, and several co-managers said they had placed their allocations with ease. Underwriting commissions were 2½ per cent.

The main purpose of the issue was to refinance United Newspapers' stake in Reuters in a tax-efficient manner. The preference shares are callable at par after three years, but unlike many other convertible deals there is no investor put option.

Elsewhere, Credit Lyonnais was the lead manager of a successful FFr750m eight-year deal for BSN, the French supermarket chain. The bonds carried a 9 per cent coupon and were priced at 101¼ to yield

INTERNATIONAL BONDS

some 50 basis points over the equivalent French government bonds.

After a fine reception which saw the paper quoted by the lead manager inside fees at less 1¾ bid, the issue was increased to FFr1bn. Demand was reported from a range of European institutions and retail investors.

After the increase, the bonds retreated to less 1.90 bid, a spread against the government benchmark of some 46 basis points. The proceeds were unswapped.

A $21m eight-year convertible issue for Thermo Environmental Corporation was launched by Shearson Lehman Hutton into good demand. The bonds were trading at par bid, well above fees.

Wednesday's Ecu65m convertible deal for Arbed brought by Morgan Stanley was reported to be sold out and trading at par bid after a strong response, particularly from Swiss investors.

In Germany yesterday, Bankers Trust launched its first deal as a lead manager, a DM75m dual-currency issue for IKB International. The four-year bonds came with a 9⅜ per cent coupon and were trading at less 1¼ bid, a discount equivalent to underwriting fees.

A DM40m equity warrants deal by Berliner Elektro Finance had a strong reception after its launch by Deutsche Bank. The bonds with warrants offered a 7 per cent coupon and were priced at 130. They were trading at a sharp premium of 135 bid at the close.

In Switzerland yesterday, prices on the grey market rose slightly in thin trading. The Great Belt SFr100m 6 per cent issue was trading at less 1⅝ bid, a rise of ⅛ point from Wednesday's close of less 2¼ bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
BSN(b)♦	1bn	9	101¼	1997	2/1¼	Credit Lyonnais
STERLING						
United Newspapers Cap.(c)§♦	105	0	100	2004	2½/1½	CSFB
US DOLLARS						
Nagoya Railroad Co.♦	200	(4½)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Top Finance(Bermuda)♦	60	9.65	101.65	1999	2/1⅛	Kidder Peabody Int.
Top Finance(Bermuda)(d)‡♦	15	10bp	100	1999		Kidder Peabody Int.
Thermo Environmental§♦	21	0¾	100	1997	2½	Shearson Lehman Hutton
Lasmo Plc(a)♦	125	10	103¼	1994	1⅞/1¼	CSFB
D-MARKS						
IKB International(e)♦	75	9⅜	101⅞	1993	1½/1	Bankers Trust
Berliner Elektro Fin.(f)#♦	40	7	130	1999	2½/1½	Deutsche Bank
GUILDERS						
Wereldhave NV♦	100	7¾	101⅝	1999	2/1¼	ABN
YEN						
Sparekassen SDS(g)♦	5bn	7¼	101½	1993	1½/1	New Japan Secs.(Europe)
Toronto-Dominion Bank(g)♦	3bn	6½	101⅞	1994	1⅞/1¼	Bankers Trust Int.

★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) Issue increased by $25m. b) Non-callable. c) Convertible preference shares. Convertible into Reuters 'B' shares at 878.5p per share from October 1989. d) 10bp over 6-month Libor. Call at par after 1 year. e) Borrower can redeem in either DM or C$ at DM1.53. f) Each DM5,000 has 5 warrants with right to purchase 5 ordinary shares and 5 preference shares. g) Redemption linked to Nikkei stock index. Put and call after 3 years.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	102¼	102⅝	+0⅛	+2	8.86
Austria 9⅜ 93	140	102	102½	+0⅛	+1⅛	8.88
B.F.C.E. 7 92	150	95	95¾	+0⅛	+0⅞	9.02
B.F.C.E. 9¼ 95	150	101⅞	101⅞	+0⅛	+1⅜	8.89
Brit. Tel. Fin. 9⅜ 98	250	102⅝	103⅛	+0⅛	+2⅜	8.90
BP America 9¾ 99	250	†103⅛	103⅝	+0¼	+1⅛	9.20
Canada 9 96	1000	102¼	102⅝	+0⅛	+1⅞	8.51
Canadian Pac 10¾ 93	100	†101¾	102¼	+0½	0	10.15
C.C.C.E 9¾ 95	300	101½	102	+0⅜	+1⅛	8.83
C.N.C.A 9⅜ 93	150	101⅛	101¾	+0⅛	+1⅛	5.96
Credit National 8¼ 93	200	97½	98	+0⅛	+1⅛	8.95
Credit National 7¾ 92	100	96	96½	+0¼	+1⅜	8.90
Credit National 9½ 92	160	102⅜	102⅜	+0⅛	+1¼	8.66
Dai-Ichi Kan 9⅜ 92	150	101¼	101¾	+0¼	+1⅜	9.05
Denmark 7⅛ 92	500	95⅛	95⅛	+0¼	+1⅛	9.08
E.E.C. 7 91	100	95¾	96¼	+0¼	+1⅛	8.82
E.E.C. 7¼ 93	250	94⅝	95⅛	+0⅛	+1⅛	8.90
E.E.C. 10 93	140	103¾	103¾	0	+1⅛	8.86
E.I.B. 7⅝ 93	100	95¼	95⅝	+0¼	+1⅜	8.89
E.I.B. 9¾ 97	150	102⅞	103⅛	+0¼	+2⅜	8.81
Eurofima 10⅛ 93	100	†104	104¾	+0⅛	+1⅞	8.78
Elec. De France 9 98	200	100⅛	101	+0⅛	+2	8.86
Elec. De France 9½ 99	200	103⅞	104	+0⅝	+2⅛	8.90
Finland 7⅞ 97	200	94⅜	94⅞	+0⅛	+1⅞	8.86
Finn.Exp.Cd. 8½ 92	200	98½	99	+0⅛	+1⅛	9.00
Finn. Exp. Cd. 9⅜ 95	200	101½	102	+0⅛	+1⅛	8.98
Ford Motor Credit 8 91	250	†97¾	98¼	+0⅛	+0⅜	9.23
Gen.Elec.Cap.Corp. 9 93	500	—	—	—	—	—
Gen.Elec.Cap.Crp.10 1/2 91	300	102⅛	102¼	+0⅛	+0⅛	8.80
Gen.Mtrs.Corp. 9⅜ 92	200	99⅝	100⅛	0	+1¼	9.16
IBM Credit Corp. 8⅞ 91	250	99¾	100¼	+0⅛	+1⅛	8.83
IBM Credit Corp. 9½ 92	250	101½	102	+0¼	+1	8.71
IBM Credit Corp. 10 92	200	103	103½	+0⅛	+1⅜	8.68
Italy 9½ 95	1000	102⅜	102⅞	+0⅛	+1⅜	8.92
Italy 9⅜ 99	1000	—	—	—	—	—
Japan Dev. Bank 10 96	200	105⅝	106	+0⅜	+1⅜	8.88
L.T.C.B. of Japan 9¼ 92	200	100⅛	101	+0⅛	+1⅞	8.99
Metropolis Tokyo 9½ 93	200	102	102½	+0⅛	+1⅜	8.71
Nippon Tel.&Tel. 9⅜ 98	250	102¾	103⅛	+0⅛	+2⅜	8.88
Norway 8¾ 93	500	99½	100⅛	+0⅜	+1⅛	8.81
Portugal 8¼ 91	300	†97⅜	98	0	+0½	9.64
Prudential Grp. 8¾ 94	125	100⅜	100¾	+0⅛	+1⅜	8.58
State Bk S Aust 9¼ 93	100	†100⅛	100⅛	+1⅛	+1⅛	9.10
Sumitomo Bank 9⅝ 92	150	†101⅛	101⅛	+0⅛	+1⅛	9.09
Sweden 7 91	250	96	96½	+0⅛	+1⅛	8.82
Sweden 8¾ 96	200	99½	100	+0½	+1⅞	8.79
Sweden 8½ 92	200	—	—	—	—	—
Toyota 9½ 91	200	100⅞	101⅛	+0¼	+1⅛	8.94
Victorian Rep 11⅛ 92	150	105⅝	106⅛	0	+0⅜	9.20
World Bank 7 92	300	†95⅛	96⅛	+0¼	+1⅛	8.79
World Bank 9 97	300	100⅜	101⅛	+0⅛	+2⅛	8.83
World Bank 9 93	300	100⅞	101⅛	+0½	+1⅛	8.65
World Bank 9¼ 98	300	102	102½	+0⅛	+1⅞	8.87
World Bank 9⅞ 99	500	104⅜	105	+0½	+2	8.84
World Bank 9¾ 96	300	104⅛	104⅛	+0¼	+1⅜	0.78

Average price change... On day +0⅛ on week +1⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94¾	95¼	0	+0¼	7.11
Austria 6¾ 99	750	†97¾	98¼	+0⅛	+1	7.05
Bank of Tokyo 5¾ 93	100	96	96½	0	+1¼	6.91
Commerzbank o/s. 5⅞ 93	300	94⅜	94⅞	0	+0⅛	7.11
Credit Foncier 6¾ 99	500	†97⅜	97⅞	0	+0⅞	8.08
Degussa Int. 6⅜ 97	200	93⅞	94⅛	+0⅛	+1⅜	7.10
E.I.B 5½ 98	150	89⅜	89¾	+0¼	+0⅛	7.11
E.I.B. 6¼ 99	600	94⅛	94½	+0⅛	+0⅞	7.09
E.I.B. 6⅛ 96	300	95⅜	95⅞	+0⅛	+1⅛	6.93
E.I.B. 6½ 99	300	†96	96½	0	+1	7.04
E.I.B. 6⅞ 95	300	100⅛	100⅞	0	+1¼	6.74
Euro.Coal & Steel 5⅞ 97	175	92¾	93¼	0	+0⅛	7.08
Eurofima 6⅜ 96	100	95¼	95⅝	0	+0⅛	7.11
Elec Dv France 5¾ 97	300	92	92½	0	+0⅛	7.05
Forsmark Krtg. 5⅛ 93	200	93⅛	93⅞	+0⅛	+0⅛	7.12
Hydro-Quebec 6¾ 99	300	†97⅜	97⅞	0	+0⅞	7.07
Japan Dev. Bk. 5⅛ 93	300	†92⅜	92⅞	+0⅜	+1⅛	6.94
Japan Finance 5¾ 97	100	92	92½	0	+0⅛	7.08
Ireland 6½ 97	300	94⅜	95⅜	+0⅛	+0⅜	7.38
Malaysia 6¼ 94	150	95⅜	96⅜	0	0	7.22
Nat. West BK. PLC 6 98	300	†91⅞	92¼	-0⅛	+0½	7.25
N.H.L. Finance 6¼ 95	200	†93¼	93⅜	0	0	7.55
Nippon Telg.&Tel. 6 95	400	†95½	96	0	0	6.38
Oesters. Kontbk. 5 93	300	94⅞	95⅛	+0⅛	+0⅜	6.53
Portugal 5¾ 92	150	95⅝	96⅛	0	-0⅛	7.25
Portugal 6⅝ 95	150	97⅞	98⅜	+0⅛	+0⅞	7.00
Privatbanken 5¾ 93	150	93½	94	+0¼	+0⅛	7.21
Royal Insurance 5½ 92	300	95⅞	96⅛	-0⅛	0	7.04
Soc Cent Nuclear 7¾ 95	150	99	99½	0	-0⅛	7.40
Turkey 6½ 95	500	†94	94½	+0⅛	...0	7.74
Union Bk. Finland 5½ 94	200	†94	94½	+0⅛	0	6.99
Westlb. Finance 5 93	200	*92⅞	93⅜	0	+0⅛	7.15
World BK. 6¼ 97	600	95½	95⅞	0	+0⅛	7.31

Average price change... On day +0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†96½	97½	+2	+4	5.52
Aeflnag 5 03	100	†90	90¾	0	-0⅛	6.05
B.F.C.E. 4½ 98	200	†91	91½	+1⅛	+1⅛	5.76
B.M.W.Fin.Neth. 5 13	150	†87½	88	+0⅛	+1	5.97
Britannia B/S. 4¼ 94	100	†92	92½	-0⅛	+1⅞	6.09
CIR. Int. W/W 3 93	125	†90	90⅛	+1	+2	5.76
Credit Lyonnais 4¾ 00	100	†88½	89	+0⅞	+2⅜	6.19
E.I.B 4⅝ 98	150	†91½	92	+0⅜	+1⅛	5.82
Fletcher Chall. 4⅞ 98	150	†89½	89½	0	+0¼	6.56
Kobe City 4⅝ 98	150	†91½	92½	+0¼	+1½	5.78
Leeds Perm. B/S. 4⅛ 93	200	†92⅞	93½	-0⅛	+0⅞	6.22
Malaysia 5⅛ 98	100	†93	94	0	+6⅛	6.21
Maxwell Comm.Crp. 5 95	150	†87⅞	88½	+2⅛	+3¼	7.55
Nat.Bk. Hungary 5½ 94	75	†94⅛	94⅞	-0⅛	-0⅞	6.68
Nationwide Anq.B/S. 4 93	200	†91½	92	+0½	+1	6.39
Nippon Telg.&Tel.4¾ 95	200	†94½	94⅞	+0⅛	+1⅝	5.28
Oesters.Ktbk. 5 03	75	†90	92	0	-0⅛	5.96
Prov. Newfoundland 5 03	150	†92⅞	92¾	+1⅛	+2⅛	5.76
Thailand 4⅝ 95	200	†92	93	+1⅛	+1½	6.13
World Bank 5 03	150	†93	94	0	+2⅜	5.68

Average price change... On day +0½ on week +1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¼	101½	0	0	5.24
Canada 5⅝ 93	80	101⅜	101⅞	0	0	5.14
Eurofima 5 1995	20	98¾	99¼	0	-0⅛	5.20
E.I.B. 4⅞ 93	30	98⅜	98⅞	0	0	5.24
Ireland 5⅛ 93	30	99¾	100¼	0	0	5.12
Norway 5⅛ 95	50	99⅞	100¼	8	-0⅛	5.12
Sweden 4⅞ 93	50	97⅞	98⅛	0	0	5.20
World Bank 5¾ 98	10	98¾	99¼	+0⅛	0	5.27
World Bank 7 94	20	107⅛	107⅞	0	-0¼	5.19

Average price change... On day +0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS.10¾ 93 £	50	93¾	94¾	+0⅛	+0½	12.38
Abbey Nat. 11⅛ 95 £	100	97¾	98¼	+0⅛	+0⅜	12.09
Alg. Bk. Ned. 5⅛ 92 FL	150	94⅞	95⅛	0	+0⅜	7.66
Alg. Bk. Ned. 5⅜ 93 FL	200	93⅞	94⅜	0	+0⅛	7.59
Austria 7½ 94 ECU	100	†95⅝	96⅛	+0⅛	+0⅛	8.57
Bk. Nova Scot.14¾ 90 A$	75	95	96	0	0	17.91
Barclays Aus.13½ 91 A$	100	95	95⅞	+0¼	+0⅛	16.02
Belgium 8¾ 94 Ecu	150	97¾	98⅛	+0⅛	+0⅛	8.64
BP Capital 9¾ 93 £	100	93⅛	93⅝	+0⅛	+0⅛	11.98
British Airways 10 98 £	100	89⅞	90⅛	+0⅛	+0⅞	11.91
Bahrmann-Tst. 6⅜ 93 FL	100	94¾	95⅜	0	+0½	7.84
Comm.Bk.Aust. 12⅝ 93A$	100	†93	93½	0	+0¾	14.99
Coop.Ctr.Rabo.6¼ 93 FL	100	96⅞	97⅜	0	+0⅛	7.17
CrLocalFrance 9¾ 92Ecu	100	†101⅛	101⅛	+0⅛	+0⅛	8.71
Dent. Bk.Aus. 13⅛ 93 A$	125	93¾	94¼	+0¼	+0⅛	15.24
Deutsche Bk.Fin. 15 94 A$	100	101½	102	0	+0⅛	14.45
Eastman Kodak 13 90 A$	100	94¾	95⅛	-0¼	0	17.76
E.I.B. 7 96 LFr	100	†96¾	97⅜	+0⅛	-0⅛	7.53
E.I.B. 9 99 Ecu	150	†100⅜	101⅛	+0⅛	+0⅜	8.84
Eurofima 7⅛ 94 Ecu	100	95⅞	96⅛	+0⅛	+0⅛	8.65
Export Dv.Crp.8¾ 92Ecu	100	99⅞	100⅜	+0⅛	+0¼	8.68
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†98⅜	98⅞	-0⅛	+1⅛	10.31
Fed.Bus.Dv.Bk.10½ 93C$	50	100½	101⅛	+0⅛	+1⅛	10.25
Ferrv. Stato 7¾ 95 Ecu	100	96⅛	96⅝	+0⅛	+0⅛	8.83
Ford Cr. Can.10¾ 93 C$	100	†100⅜	101⅛	+0⅛	+1⅛	10.41
Ford Cred.Can.10⅞ 96C$	125	102¼	102¾	+0¼	+1⅞	10.32
Ford Mtr.Cred.7⅞ 93Ecu	100	†96½	97	+0¼	+0⅛	8.93
G.M.A.C. 9¾ 93 C$	150	†97⅞	97¾	+0⅛	+1½	10.51
Hydro-Quebec 11 99 C$	400	104¼	104⅝	+0⅛	+1⅞	10.23
Lloyds Bank 10¼ 98 £	150	90⅛	91⅛	+0⅛	+0⅛	11.97
Lloyds Bank 11⅜ 98 £	100	94	94½	+0⅛	+0⅛	12.41
Montreal Tst.10¾ 93 C$	100	†99⅞	99⅞	+0⅛	+0⅞	10.85
Morgan Guar.Tst. 11 91 C$	150	100⅛	100⅞	+0⅛	+1½	10.46
Nat. Aus. Bk. 14¾ 94A$	100	98⅝	99⅛	0	+1	15.03
New Zealand 9½ 93 £	100	92	92⅜	+0½	+0⅛	12.14
Philips Gleoil. 6 93 FL	300	94	94½	0	+0⅛	7.66
Privatbanken 7½ 94 LFr	500	†98¾	99⅞	+0⅛	0	7.81
Royal Bk.Scot.10⅝ 98 £	125	93¼	93¾	+0⅞	+0¾	11.89
Saskatchewan 9⅞ 91 C$	150	†98⅜	99¼	+0⅛	+1⅛	10.39
Saskatchewan 10¼ 93 C$	200	99½	100¼	+0⅛	+1¼	10.29
State Bk.NSW. 13⅞ 93A$	100	94½	95	0	+0⅞	15.50
Sweden 15 94 A$	100	101⅛	101¾	-0⅛	+0¾	14.49
Toyota Mtr.Cr.11⅛ 92C$	150	102¼	102⅞	+0⅛	+1⅛	10.30
World Bank 13¾ 92 A$	100	97¾	98½	-0¼	+0⅛	14.12
Zentrspk. 13¼ 93 A$	75	†95	95½	0	+0⅝	14.76

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.5⅛ 94 £	.08	99.84	99.89	18/07	13.08
Bank of Greece 99 US	0¼	99.81	99.91	8/09	10.62
Belgium 91 US	0	100.24	100.34	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.85	99.90	30/08	14.06
Credit Foncier 98 US	.063	100.32	100.42	20/10	10.16
Dresdner Finance 99 DM	.031	99.91	100.01	27/07	6.59
EEC 3 92 DM	0	100.48	100.58	20/08	5.63
Halifax BS 94 £	.1	99.85	99.90	6/08	12.97
Invt. in Industry 94 £	0¼	100.00	100.10	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.03	100.08	13/07	13.34
Midland Bank 01 £	.1	98.37	98.67	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.92	99.97	30/06	13.06
New Zealand 5 97 £	.07	99.99	100.08	22/08	13.19
State Bk. New. 98 US	.188	100.51	100.61	11/08	9.87
Woolwich Equit. BS. 95 £	0⅛	100.00	100.05	13/07	13.37
Woolwich 5 95 £	0⅛	99.87	99.92	22/08	13¾

Average price change... On day +0.00 on week +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	†8/87	62.	116	117	+1	8.62
Amer. Brands 7¾ 02 US	†9/87	56.7	123½	124½	0	1.53
Ashikaga Bank 2¾ 02 US	4/87	967.	125⅝	126⅝	-0⅛	4.32
Asics 5 92 DM	12/83	472.7	264⅞	265⅜	+0⅛	9.61
CBS. Inc. 5 02 US	4/87	200.	105¾	106⅜	-0⅛	2.98
Primerica 5½ 02 US	4/87	66.75	68½	69½	+0¼	94.91
Eng.China Clay 6½ 03 £	9/88	4.8	100⅛	101½	0	5.16
Fujitsu 3 99 US	5/84	1106.	216	217	+0⅛	0.06
Land Secs. 6¼ 02 £	6/87	6.72	94¾	95¾	+1⅛	12.29
Minolta Camera 2¼ 94DM	2/86	1004.	113⅝	114⅝	-0⅛	7.25
MCA Inc 5½ 02 US	9/87	69.62	93¼	94⅜	+0⅛	15.88
Mitsubishi Bk. 3⅛ 04US	5/89	3266.	93⅛	94¼	+0⅛	3.92
Mitsui Trust 2⅛ 01 US	10/86	1903.	120	121½	+0¼	6.27
Next Plc 5¾ 03 £	11/87	4.3	98⅛	99¼	+0⅛	194.88
Nihi Hipp.Bk.2⅞ 03 US	4/86	804.	110	111	+0⅞	-1.29
Sanyo Takeda 2⅝ 02 US	4/87	1310.	238⅛	239⅝	+5⅛	1.23
Ranks Hovis 4¼ 03 £	†1/88	3.5	123½	124½	-1	-1.59
Redland 7¼ 02 £	†1/87	5.4	107⅛	108⅛	+0⅛	-0.57
Saatchi&Stchi.6¾ 03 £	†10/89	4.41	91½	92½	0	31.73
Sumitomo Bank 3¾ 04 US	2/89	4296.	85⅞	86⅞	+0¼	18.56
Texas Inst. 2¾ 02 US	9/87	82.87	77⅛	78⅛	+0⅞	49.61
W.R. Grace 6¾ 02 US	9/87	42.12	94⅜	95⅛	+0⅛	20.05

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Australia fails to respond to high interest rates

By Janet Bush in New York and Katharine Campbell in London

LAST MONTH'S employment data furnished Australian government bond traders with yet further evidence that the domestic economy is failing to respond adequately to the Government's high interest rate treatment. Bond prices were accordingly around 10 cents lower, as many dealers are now anticipating another round of monetary tightening.

The figures, which included news of a 0.5 per cent rise to 63.3 per cent for the May participation rate, sent the June 10-year bond futures contract, which had been trading around 86.310, sharply down to a low of 86.130. It later recovered its balance to close at 86.190.

Dealers also pointed out that yesterday's exhortations to his countrymen by Mr Bob Hawke, the Prime Minister, that they refrain from spending their proceeds from the new tax cuts on household goods represented a distinct shift from government policy at the time of the April economic statement. This contributed to the impression that the timetable for an economic slowdown has been set back somewhat.

US TREASURY bonds traded mostly higher in late trading yesterday, reflecting the steadiness of the dollar and a soft Fed Funds rate which provoked talk that the US Federal Reserve may have eased more than thought earlier this year.

Trading was cautious, however, before today's producer prices data.

In late trading, short-dated maturities were mostly around $\frac{1}{16}$ point higher and the Treasury's benchmark long bond was quoted $\frac{1}{16}$ point higher to yield 8.295 per cent.

The Commerce Department forecast that US businesses planned to spend 6.5 per cent more on new plant and equipment this year than in 1988. This suggests that investment will remain strong, adding to growth and was a mild negative for the bond market.

On the positive side was speculation that the bottom end of the Fed's target range for Fed Funds may be below 9½ per cent.

The Fed under the chairmanship of Mr Alan Greenspan has a reputation for tight and accurate control of the Fed Funds level and this has started to slip below 9¼ per cent. In late trading, Funds were quoted at 9$\frac{1}{16}$ per cent.

The consensus for today's Producer Prices Index has shifted to a more optimistic 0.4 per cent gain in May compared with 0.5 per cent earlier in the week.

The dollar remains steady, reflecting increased demand for US stocks and bonds from overseas.

One uncertain factor is the direction of oil prices after the Organisation of Petroleum Exporting Countries raised its production ceiling by 1m barrels a day. Crude oil prices plunged on Wednesday but were only marginally weaker yesterday.

GOVERNMENT BONDS

UK GOVERNMENT bonds rallied during the day, taking encouragement from the specific commitment late on Wednesday by Mr Nigel Lawson, the Chancellor, that there was to be no change in the Government's full funding policy and stock buy-back programme. The September long gilt future that trades on Liffe closed at 93.22, representing a gain of $\frac{13}{32}$ over the day.

Although there was little significant retail demand, paper at the long end of the market was quoted around half a point firmer towards the close, with a good deal of professional short covering.

THE DUTCH market largely held on to gains made early in the day, with the latest 7.5 per cent 10-year state loan trading some 20 cents higher at 101.60.

Although yields have fallen back steadily in the past few days from the recent peaks of over 7.50 per cent, there is a degree of market nervousness engendered by the probable imposition of credit controls.

The new bond future, introduced yesterday on the Amsterdam financial futures market, traded a total of 460 contracts, representing an underlying value of Fl 115m. The contract, deliverable into physical stock, bears a nominal coupon of 7.00 per cent.

GERMAN FEDERAL bonds were marked up in early trading, but dealers soon pulled back when the recent flow of retail buying appeared to be temporarily exhausted. Sentiment had initially been boosted by the previous afternoon's strong US bond market rally, but a slightly firmer dollar soon counteracted such optimism.

On Liffe, the June bund future closed down at 93.97, after opening at 94.14.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-31	+5/32	11.26	11.38	11.05
		9.750	1/98	95-03	+11/32	10.53	10.67	10.31
		9.000	10/08	94-12	+16/32	9.64	9.86	9.31
US TREASURY *		9.125	5/99	105-26	+0/32	8.25	8.70	9.02
		8.875	2/19	106-09	+6/32	8.30	8.64	8.96
JAPAN	No 111	4.600	6/98	95.5481	+0.146	5.33	5.43	5.36
	No 2	5.700	3/07	105.9917	+0.198	5.06	5.14	5.07
GERMANY		6.375	11/98	96.5000	-0.300	6.88	7.03	7.00
FRANCE	BTAN	8.000	1/94	96.7079	+0.073	8.88	8.94	8.93
	OAT	8.125	5/98	96.0100	-0.050	8.74	8.84	8.82
CANADA *		10.250	12/98	105.5000	+0.250	9.36	9.76	9.86
NETHERLANDS		8.7500	10/98	96.7000	+0.125	7.24	7.43	7.28
AUSTRALIA		12.000	7/99	90.6975	-0.326	13.73	13.61	13.43

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swiss shiver in winds of change

Andrew Freeman on threats to the Big Three over syndication

APART from the cyclical factors which have been squeezing all in the Swiss franc bond market, most Swiss institutions are coming under pressure from important structural changes which seem to be pushing more power into the hands of the Big Three banks. The changes are not yet complete, but they have played their part in the complex formula that has led to worried brows on Zurich's *Bahnhofstrasse*.

Bankers argue that one structural explanation for the Swiss bond market's problems lies in the way bond issues have been syndicated, a subject which arouses considerable discord.

The primary public market is run by four so-called fixed syndicates, members of which agree to rules and restrictions on their activity in return for a guaranteed invitation into all deals launched by other syndicate members.

A recent cartel commission which examined the banking industry said this tended towards restrictive practice, a thinly-veiled attack on the largest of the syndicates which includes the three biggest Swiss banks, Union Bank, Crédit Suisse and Swiss Bank Corporation.

This "big syndicate" is the most controversial, mainly because its rules do not allow members to join deals lead managed by non-members. In practice, the syndicate is dominated by the big three banks, although in theory any member can lead manage its own deal within the syndicate.

The cartel commission recommended that syndicate contracts should be abolished for issues by Swiss borrowers, and suggested that in order to ensure Switzerland's competitiveness as an international market the big syndicate's rules should be relaxed.

Although the commission's recommendations have no legal power, they can be imposed as formal rules by the federal Government if the banks fail to respond.

However, syndicate members are unrepentant. Mr Arthur Wulkan, head of capital market transactions at UBS, says: "Only the public half of the bond deals launched in Switzerland come under syndicate rules. Note issues are privately placed and involve small ad hoc syndicates."

Another banker cynically points out that even within the big syndicate, there are extreme competitive pressures. "Co-managers are only making money on around half the deals they join, and they have had to watch the Big Three expand their market share as competition hots up."

Whether the syndicates fracture is in the balance. Mr Marc de Frisching of Warburg Soditic in Geneva thinks their days are numbered. "We will move towards an ad hoc system as on the notes market," he states.

The Big Three are thought to control over 90 per cent of the primary public market, up from around 70 per cent two years ago. (The chart shows both public bonds *and* private placements. Although showing a decline in the Big Three's overall market share, this is due almost entirely to this year's performance by Nomura [Switzerland] in the private placements for Japanese borrowers.)

Mr Hans Rudolph Zehnder of Crédit Suisse says: "On the placement side, we can't rely on other banks, and only the big banks have the muscle to take a big risk on their own books. In the current market conditions, the big syndicate is dominant because other players simply can't afford to be in the business."

Mr Kurt Zbinden of Handelsbank, part of a rival syndicate, says: "Lead managers can rely on the underwriting stability of the syndicates. For the top banks, a SFr100m bond issue represents small change, but for us it is a relatively big risk. With a syndicate behind us, we can safely remain in the new issue business."

If there were no syndicates, the power of the Big Three banks would be further increased, according to Citicorp's Mr Amory Carhart: "This is a placement market. The Big Three would still have an effective monopoly and they would be able to exercise it more easily."

Staff at foreign banks and smaller banks in Switzerland share the fear that the removal of the syndicate structure would have one significant result: further concentration of the business in the hands of the Big Three. They point to recent developments in the grey market to support their argument.

Nevertheless, it seems clear that if Switzerland is to compete with other international financial centres, the syndicates will have to be abolished along with their fixed commissions and restrictive tendencies.

Changes in the Swiss investor base have also been of fundamental importance. Reforms in the early 1980s introduced a three-tier pension system to Switzerland, the effect of which was to remove the individual investor as the foundation of the bond market.

While this undoubtedly hit the Big Three, which stood out for the depth of their branch and placement networks, it also served to play right into their hands. As the market was rapidly institutionalised, it became obvious that only the Big Three could guarantee supply of the large blocks of paper sought by the institutions. Other banks could make prices, but they had to get their bonds from their rivals.

Nevertheless, the overall effect of the shift has been disastrous, mainly, say bankers, because the immature and inexperienced pension funds have not invested in the bond market to a significant degree.

"The management of pension cashflows has been inefficient and inexpert," says one banker. "There has been too much attention paid to credit quality and not enough to concepts like duration. The overall effect has been a shrinkage in the amount of funds available to the bond market."

Amid the general perception that the Swiss market is in danger of falling behind other international financial centres, the stamp tax on turnover has become the subject of controversy since Mr Otto Stich, the Swiss Finance Minister, announced his intention to abolish the tax which currently affects all securities.

While many bankers had lobbied hard for the abolition of the tax, there was uncertainty as to where the Government will find an alternative source of revenue.

The proposal of a tax on time deposits sent a shiver of fear through the banking community which forecast massive capital flight from Switzerland if such a tax were introduced.

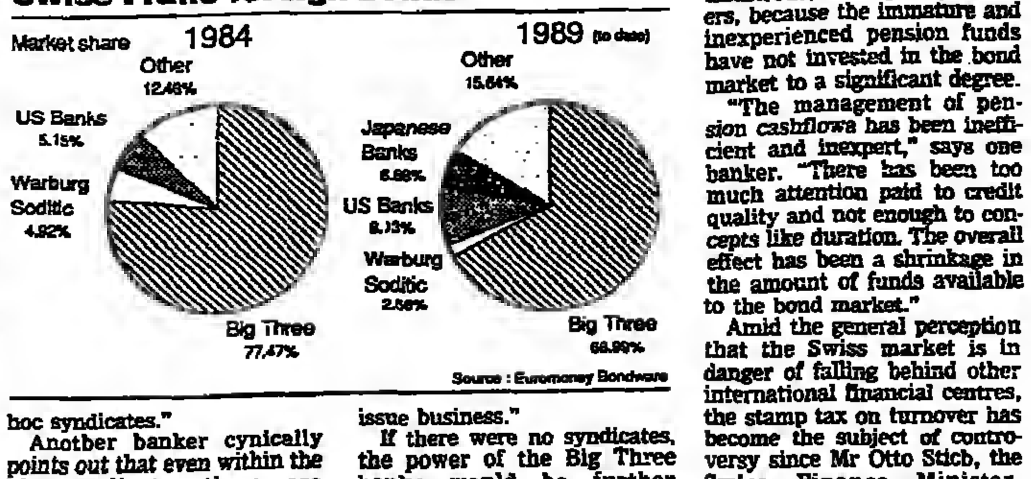
Nearly all agree, however, that the stamp tax is a major handicap to the Swiss debt market, hampering liquidity by discouraging investors from the turnover and switching activity which supports other international markets.

As one banker put it: "If things get much worse, abolition of the stamp tax will be pushed through. The Government knows how important this is."

On Monday, the Finance Bill was presented to Parliament, heightening expectations that deregulation in Switzerland is coming at a faster pace than expected. As Mr de Frisching says: "There are exciting possibilities for this market. What is certain is that banks will not survive by trying to cling on to cosy old ways."

It also seems certain that the Swiss financial community faces the same pressure on employment and salaries as its equivalents all over the world. There are over 600 banks in Switzerland. One forecast says that more than half of them will merge or go out of business during the next five years.

Swiss Franc foreign bonds



Source: Euromoney Bondware

Copenhagen exchange beams data to Europe

By Hilary Barnes in Copenhagen

ANYONE with a PC, a 90cm parabolic aerial and the appropriate software can now receive data from the Copenhagen Stock Exchange anywhere in Europe via satellite.

The system was developed by PolySat, a small Danish company, in co-operation with PolyCom, a French company, and using a satellite system developed by Matra, the French telecommunications group.

Although the system is so far only transmitting data from the Copenhagen Stock Exchange, it is hoped that other stock exchanges, including London and Paris and eventually all EC stock exchanges, will be using the system, said Mr Axel Hvidtfeldt, PolySat's general manager.

He pointed out that in the course of 18 months, PolySat and its French associates have developed a system for linking the European stock exchanges which the stock exchanges themselves have discussed fruitlessly for 10 years.

The system has been developed to make it universally adaptable to all European stock exchanges, he said.

The idea for the system came from a young Danish financier, Mr Klaus Riskaer Pedersen, and the software was developed by his Danish business information services company, Boersinformation Telecom.

It would not have been possible to set up the system without the deregulation of European telecommunications. The service is value-added and would have been smothered by the PTT's monopoly in the past, said Mr Hvidtfeldt.

While satellite beaming of information to information centres is used by large companies, the PolySat system is one of few operational in Europe beaming information directly to individual users.

Mr Hvidtfeldt expects the system to be used by brokers all over Europe to follow developments on the stock exchange of their choice. The system's first customers will be Danish banks in London, Luxembourg and the Faeroes.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday June 8 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jun 7: Index No.	Tue Jun 6: Index No.	Mon Jun 5: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (205)	970.27	+0.6	10.56	4.01	11.68	13.25	964.11	955.59	947.72	776.00
2	Building Materials (29)	1214.87	+1.1	11.68	4.22	10.56	17.91	1202.03	1194.03	1182.33	1008.33
3	Contracting, Construction (37)	1662.14	+0.1	13.84	4.22	9.47	30.24	1661.09	1658.73	1657.09	1573.92
4	Electricals (9)	2870.28	+0.9	8.61	4.00	14.34	49.45	2844.81	2820.64	2772.57	2000.85
5	Electronics (30)	2264.87	....	8.46	3.61	15.35	19.40	2264.43	2294.51	2290.82	1642.57
6	Mechanical Engineering (54)	528.42	+0.5	10.01	3.98	12.31	7.66	526.02	523.25	515.69	400.54
8	Metals and Metal Forming (7)	545.01	+0.2	14.52	5.44	7.78	1.84	544.00	543.24	541.47	467.37
9	Motors (17)	326.18	+0.7	11.42	4.66	10.28	6.83	323.76	324.71	319.98	276.69
10	Other Industrial Materials (22)	1582.30	+1.7	9.50	4.38	12.57	25.11	1556.24	1552.46	1537.38	1291.98
21	CONSUMER GROUP (187)	1214.10	+0.6	9.14	3.71	13.70	15.94	1206.80	1203.18	1194.40	1083.35
22	Brewers and Distillers (22)	1309.41	+0.5	10.37	3.69	12.12	16.84	1303.14	1299.45	1296.74	1115.60
25	Food Manufacturing (20)	1070.86	+0.4	9.59	3.88	13.05	15.69	1066.65	1060.88	1051.35	983.93
26	Food Retailing (15)	2271.47	+0.3	8.90	3.35	14.75	25.59	2263.68	2242.85	2228.82	1982.82
27	Health and Household (14)	2214.89	+0.7	6.70	2.68	16.94	21.11	2199.96	2200.81	2197.13	1831.98
29	Leisure (33)	1648.94	+0.2	7.70	3.44	16.27	21.82	1646.19	1642.21	1624.67	1328.91
31	Packaging & Paper (15)	574.77	+0.6	10.05	4.24	12.58	7.10	571.39	573.13	565.43	491.30
32	Publishing & Printing (19)	3540.06	+1.5	8.68	4.65	14.54	44.70	3488.84	3517.33	3478.70	3404.81
34	Stores (34)	808.87	+0.9	11.26	4.46	11.62	12.47	801.31	795.79	784.67	811.22
35	Textiles (15)	533.50	+0.7	11.23	5.40	10.73	13.42	529.69	528.68	525.40	583.19
40	OTHER GROUPS (94)	1114.62	+1.8	10.12	4.18	12.03	12.26	1095.36	1088.86	1080.47	892.38
41	Agencies (18)	1376.34	+0.2	6.86	2.30	18.18	14.91	1373.71	1374.51	1384.69	1166.86
42	Chemicals (22)	1263.92	+0.5	11.29	4.71	10.45	26.38	1258.14	1262.86	1260.86	1045.95
43	Conglomerates (12)	1588.81	+0.9	10.60	5.04	11.12	28.16	1574.37	1573.02	1561.75	1195.06
45	Transport (13)	2489.64	+0.6	8.38	3.54	15.68	38.81	2474.64	2468.51	2455.83	1917.32
47	Telephone Networks (2)	1095.02	+3.0	11.20	4.48	11.63	0.00	1063.53	1047.36	1022.08	954.75
48	Miscellaneous (27)	1646.52	+3.7	9.68	3.63	11.73	22.36	1587.38	1564.34	1566.49	1192.68
49	INDUSTRIAL GROUP (486)	1145.04	+0.9	9.82	3.93	12.59	14.51	1134.37	1128.16	1119.49	962.40
51	Oil & Gas (14)	2050.91	+1.1	10.53	5.50	12.62	51.08	2027.69	2017.17	1999.39	1854.69
59	500 SHARE INDEX (500)	1221.99	+1.0	9.91	4.13	12.59	17.48	1210.29	1203.71	1194.29	1037.80
61	FINANCIAL GROUP (123)	738.09	+1.0	–	5.27	–	16.71	730.82	729.16	722.22	711.49
62	Banks (8)	736.44	+1.9	24.24	6.50	5.42	21.71	722.79	720.40	712.52	679.40
65	Insurance (Life) (8)	1076.32	+1.0	–	5.55	–	29.86	1066.13	1061.85	1050.69	1034.24
66	Insurance (Composite) (7)	569.46	+0.7	–	6.02	–	16.75	565.56	569.21	567.41	540.69
67	Insurance (Brokers) (7)	978.52	+0.1	7.72	6.40	17.43	27.18	977.79	988.89	988.15	978.28
68	Merchant Banks (11)	334.13	....	–	4.51	–	3.70	334.29	333.42	333.77	378.23
69	Property (52)	1309.63	+0.6	6.31	2.89	20.19	13.81	1302.29	1294.48	1274.91	1238.91
70	Other Financial (30)	365.30	+0.3	11.39	5.95	11.21	6.25	364.23	363.14	361.12	395.88
71	Investment Trusts (71)	1158.51	+0.3	–	2.86	–	12.92	1134.55	1132.17	1130.40	886.10
81	Mining Finance (2)	625.93	+2.4	9.91	4.07	11.23	10.45	611.15	611.75	606.67	533.86
91	Overseas Traders (8)	1301.76	+0.3	11.57	5.70	9.84	34.45	1297.74	1308.59	1307.89	1121.58
99	ALL-SHARE INDEX (704)	1102.24	+1.0	–	4.27	–	17.16	1091.69	1086.63	1078.15	951.87

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 7	Jun 6	Jun 5	Jun 2	Jun 1	Year ago
FT-SE 100 SHARE INDEX♦	2143.4	+25.5	2154.5	2130.3	2117.9	2107.4	2088.5	2102.6	2105.4	1841.5

FIXED INTEREST

	PRICE INDICES	Thu Jun 8	Day's change %	Wed Jun 7	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.35	+0.15	117.37	0.20	5.32
2	5-15 years	131.64	+0.39	131.24	0.12	4.97
3	Over 15 years	141.21	+0.50	140.50	–	6.17
4	Irredeemables	162.66	+0.71	161.51	–	6.34
5	All stocks	129.54	+0.33	129.24	0.13	5.32
	Index-Linked					
6	5 years	134.39	+0.10	134.26	–	1.36
7	Over 5 years	132.18	+0.39	131.67	–	1.28
8	All stocks	132.23	+0.37	131.75	–	1.27
9	Debentures & Loans	113.26	+0.06	113.19	–	5.14
10	Preference	87.97	....	87.97	–	3.04

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 8	Wed Jun 7	Year ago (approx.)
	British Government				
1	Low	5 years	9.93	9.97	8.85
2	Coupons	15 years	9.53	9.60	9.15
3		25 years	9.39	9.46	8.99
4	Medium	5 years	10.94	11.02	9.29
5	Coupons	15 years	10.02	10.08	9.35
6		25 years	9.60	9.65	9.15
7	High	5 years	11.06	11.14	9.38
8	Coupons	15 years	10.25	10.31	9.58
9		25 years	9.80	9.85	9.22
10	Irredeemables†		9.40	9.47	9.05
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.98	4.00	2.63
12	Inflation rate 5%	Over 5 yrs.	3.79	3.81	3.82
13	Inflation rate 10%	5 yrs.	3.24	3.26	1.74
14	Inflation rate 10%	Over 5 yrs.	3.62	3.65	3.66
15	Debs &	5 years	11.91	11.91	10.23
16	Loans	15 years	11.63	11.63	10.65
17		25 years	11.34	11.35	10.68
18	Preference†		10.26	10.26	9.58

♦Opening index 2130.9; 10 am 2141.6; 11 am 2143.7; Noon 2148.5; 1 pm 2152.1; 2 pm 2152.1; 3 pm 2148.8; 3.30 pm 2148.5; 4 pm 2141.6
(a) 12.31pm (b) 9.09am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
115	Nil	–	6pm	2pm	T & S Stores 5p	4pm	+1
200	Nil	–	44pm	12pm	Microplant	17pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights".) Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	99	2	5
Corporations, Dominion and Foreign Bonds	13	4	25
Industrials	495	270	814
Financial and Properties	254	57	345
Oils	29	18	48
Plantations	1	5	6
Mines	60	36	83
Others	106	56	87
Totals	1,057	448	1,413

TRADITIONAL OPTIONS

- First Dealings May 30
- Last Dealings Jun 9
- Last Declarations Aug 31
- For settlement Sep 11

For rate indications see end of London Share Service

Calls in Delloc, Tusker, Mowat, Colorgen, Colourvision, Int Media, B. Priest, Dixons, Cont Securities, Resort Hotel, Aerabex, Bula, Wyndham, Cultus, Foseco, RHM, INOCO Puts in Lola Inv. PC Tusker

LONDON TRADED OPTIONS

TURNOVER in the London Traded Options Market hit its highest level yesterday since January, reaching 63,232 contracts, comprised of 49,443 calls and 13,789 puts. The recovery in the FT-SE 100 index itself continued, showing a gain of 25.5 points on the day to 2,143.4. Various company profit figures were well received, and there were calculations made about BAT Industries on the basis of how its current worth compared with its break-up value, as US interest demonstrated itself.

British Petroleum jumped away from the field in the terms of the number of options contracts traded, though pursued by another energy stock in British Gas. The BP options saw 7,289 contracts, well over 10 per cent of all dealings, and lay in 6,729 calls and only 560 puts. The July 300 calls alone brought in 3,073 contracts, as the underlying share price rose 2p on the day to 290p, and the October 300 calls 3,000.

British Gas saw 4,493 contracts handled, including 3,812 calls and 681 puts, with the underlying price of the stock gaining 5p to 185p. Particular features in it were dealings of 1,901 contracts in the June 180 calls and of 1,368 in the September 180 calls.

Options business in the index amounted to 16,118 contracts, or just over a quarter of all business, as measured by contract volume. There were 11,013 calls and 5,102 puts traded in it. The call-put ratio on the overall market, of some four to one, suggested to at least one major house the idea that the market recovery might be peaking.

BAT Industries was again an active stock in the options market in statistical as well as ruminating terms, attracting 3,716 contracts, comprising 2,995 calls and 721 puts. The August 600 calls alone saw 1,028 contracts and the August 650 calls some 1,278, as the share price on the underlying market rose 32p to 636p.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons	420	25	43	52	7	13	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Shell Trans.	360	–	69	75	–	3	4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Scot. & New	300	24	32	40	10	15	19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

US side boosts Yale and Valor by 43% to £49.3m

By Clay Harris

YALE AND Valor, the security products and domestic appliances group, increased pre-tax profits by 43 per cent to £49.3m in the 12 months to March 31.

The advance reflected the first full-year contribntion from US-based Yale and NuTone, which the much smaller Valor bought for £283m in 1987. The US accounted for more than half of turnover and for 69 per cent of group operating profits.

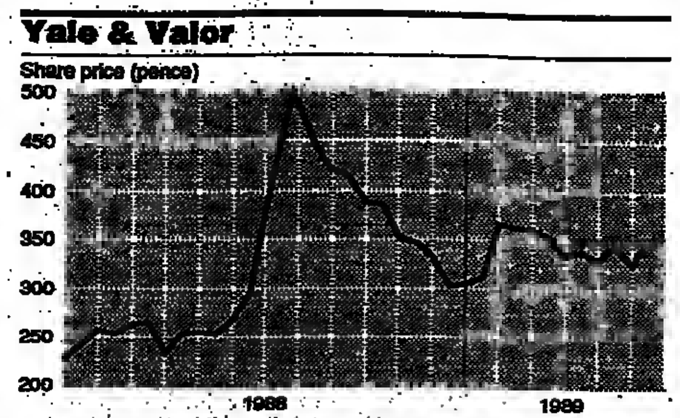
However the group also increased pre-tax margins from 11.4 per cent to 14.1 per cent.

The profits rise from £34.5m was achieved on turnover ahead by 18 per cent to £349.1m (£295.8m).

By division, security products contribnted operating profits of £17.7m on sales of £118.6m, home products £31.1m on £197m and industrial and other £4.1m on £33.5m.

Fully-dilnted earnings per share increased by 14 per cent to 27.34p (23.96p). Because the group is reducing the disparity between its dividend payments, a near-doubled interim of 3.45p is followed by a proposed final of 5.3p (5.7p). The total of 8.75p is 16.7 per cent higher than the previous 7.5p.

An extraordinary debit of £3.3m (£2.7m) reflected the loss on the sale of the cookers division, which was offset in part by the net surplus on a property disposal after production of Dreamland electric blankets was transferred to Portugal.



The group has seen no softening of demand in the UK because of higher interest rates, according to Mr Tony Marson, finance director. This year, it is budgeting for similar growth at the earnings per share level.

● COMMENT

After a balmy winter like the one Britain has just enjoyed, the old Valor – dependent on gas fires, water heaters and electric blankets – would have been in a sorry and defensive state. Now, it can dismiss weather with a shrug and bask instead in the warmth of the surging dollar. Any doubts about the wisdom of the audacious 1987 acquisition, and subsequent purchases of Miami-Carey and Rixson, have now been firmly banished. This year, the strengthened management team is likely to emphasise organic growth in the core Yale and NnTone businesses and to redress the geographic imbalance just a bit. On pre-tax profits of £60m (assuming current exchange rates), the prospective fully diluted p/e is about 10½. At 338p, the shares are still nearly a third below the peak reached last summer after a flurry of unrequited bid speculation. The dollar and the underlying business are much stronger

Yale man, with valour, bemoans modern habits

"Crack addicts" and "consumer junkies" alike felt the lash of Mr Michael Montague's tongue yesterday. Yale and Valor's chairman has never been one to mince his words or confine his attention strictly to corporate affairs, writes Clay Harris.

Yesterday, Mr Montague donned a Crimewatch hat to recall nostalgically the days when, because of Valor's reliance on sales of gas fires, the weather was one of his main concerns.

"Now because the weather is only a modest part of our affairs," he told shareholders, "I have to monitor 'crack' and crime. We are involved in prevention of only one of these evils: it is up to the authorities at all levels to deal with the other."

The company's Yale subsidiary, he acknowledged, was benefiting from the "saddening increase" in crime.

There will be a silver lining for shareholders, however. They will be offered discounts on three Yale locks to remind them, Mr Montague said, "that they are as vulnerable as the rest of the community to the 'alarming' new crime pattern."

Turning to addiction of a different sort, Mr Montague said: "Britain is the land of the consumer junkie who has been wooed by finance houses, car companies, retail outlets – and those so easily available credit cards – and they love the habit."

He scathingly contrasted the economic climates in the US and Britain. The group's US subsidiaries had concluded two-year and three-year wage agreements at 3.9 per cent compared with 7 per cent-plus deals in the UK.

"In a nutshell, they are not in a mess and this country is," he maintained.

● Some things never change at Yale and Valor. Mr Norman Davis, a former director who interrogated Mr Montague for more than an hour at the 1988 annual meeting, indicated yesterday be would propose another resolution this year.

Mr Davis will ask that the board "be augmented by the appointment of a non-executive director with experience in financial matters." Such a person, he said, would make an ideal chairman of an audit committee.

FKI Babcock doubles to £108m as break-up scheme progresses

By David Waller

FKI BABCOCK – the electrical engineering and power group formed last summer by the merger of FKI Electricals and the much larger Babcock International – yesterday announced pre-tax profits more than doubled to £107.86m, and a 47 per cent increase in earnings per share for the year to end-March.

At the same time, Lord King, chairman and Mr Tony Gartland, chief executive, said that good progress was being made with plans to split the group into three parts in order to maximise value for shareholders. Under this arrangement, the power engineering business will be demerged and the US business sold.

A circular detailing the proposals will be sent to shareholders by end-July, Mr Gartland said, and an egm called to approve the transactions. Shareholders will retain their shares in the rump of the FKI electrical side whilst being given shares in the newly quoted power company and cash on the sale of the US business.

Morgan Stanley, the US investment bank appointed to handle the sale of the US business – which generated profits of £42m last year on turnover of £442m – has received some 50 preliminary expressions of interests. Bids should be in within three weeks, Mr Gartland said.

Last year, group pre-tax profits rose from £48.57m to £107.86m and earnings per share from 12.24p to 18.05p. Mr Gartland indicated that of the earnings increase, well over 10 per cent was organic, whilst the rest reflected the last of the rationalisation of the former Babcock businesses – and the fact that Babcock's figures were not included for the whole of the previous year.

The FKI electricals business made profits of £37m on turnover of £300m, whilst the power businesses made £34m on turnover of £543m; there was also an £18m contribution from Fata, a business sold during the course of the year. The order book was £1.8bn against turnover of £1.3bn (£904bn).

The final dividend is 3.5p for a total of 4.5p (2.35p).

● COMMENT

Yet another superb set of results from FKI Babcock: earnings up nearly a half against a two thirds increase in the previous year; a chunky rise in operating margins, from 5.5 to 8.3 per cent; a handsome dividend payout; a strong, debt free balance sheet and a record order book. And yet the shares yesterday fell 3p – against the trend of the market – to 167p. It is easy to sympathise with Mr Gartland's frustrations and to see why – if the break-up scheme is successful – these will be the last figures from FKI in its present form. Was the whole saga necessary? Mr Gartland argues that back in the bull market, a combination of a lofty p/e and acquisition accounting rules allowed him to rationalise Babcock in a way that no-one else could – for the benefit of both industry and investors. Fashion turned savagely in the the post-Crash environment and FKI – like many other conglomerates – sat on a paltry rating. Mr Gartland believes it is time to restore shareholder value by offering investors three, more sharply focused businesses. Brokers suggest a net value of between 185p and 210p per share once the deal has been done. The gap between those values and the current share price reflects the risks associated with the scheme and the difficulties of valuing the two types of paper investors will end up with.

Century Oils slides 22% to £4m

By John Thornhill

CENTURY OILS Group, the specialist lubricants manufacturer, yesterday reported a 22 per cent fall in pre-tax profits from £5.22m to £4.05m in the year to March 31.

The company said the recovery it had expected in the second half had not materialised because of continued weaknesses in selling prices and demand from customers, combined with higher chemical and oil prices. At the interim stage, Century announced pre-tax profits of £2.36m (£2.85m).

He added that profits in the second half would also be helped by the development of the group's predictive condition monitoring service – which is used to analyse faults in machinery – and Autoflete, which is a coal separation process.

"It has been a particularly difficult period for us which we hope to see the back of this year," Mr Mitchell said.

Turnover rose to £94.09m (£92.34m) but raw material and operating costs grew at a faster rate to £88.78m (£85.86m).

The directors are maintaining the final dividend at 4.25p which will make an unchanged total of 6p. Earnings per share, however, fell to 8.82p (11.62p).

Mr Charles Mitchell, chairman, said there was growing evidence that lubricant prices were increasing which would help to restore profit margins in the second half of the year.

An extraordinary charge of £375,000 related to provisions made against a lawsuit and against the effects of hyper-inflation in Brazil.

Century's share price eased to 168p, down 7p.

● COMMENT

The feeling persists that Century is better at providing excuses than producing profits. These results disappointed the City, accounting for the slippage in the share price, and yet the company is again promising that things will be better next time round. Followers are not certain whether to believe the company, but there are some indications that business could indeed pick up this year. An increase in lubricant prices would be welcome news for Century and the company can also hope to benefit from profits from its technical processes – although it is unclear to what extent these factors will materially affect Century's financial performance in the current year. Pre-tax profits may climb back above their 1988 level to £5.3m, putting Century on a prospective p/e ratio of about 14.5. That seems too high given the still uncertain outlook unless speculation about a bid takes tangible form.

Charter setback hits Davies & Newman shares

By Andrew Hill

Shares in Davies & Newman Holdings, the diversified group which operates the Dan-Air airline, slipped yesterday after Mr Fred Newman, the group'e chairman and founder, reported that the airline'e charter business had shown a further deterioration since the gronp's preliminary results.

The 1988 figures showed a slight increase in pre-tax profits, from £9.5m to £9.92m. Mr Newman, who retires later this year, said then that Dan-Air, which accounts for almost all the group's turnover and over 70 per cent of profits, had had a flat year.

At yesterday'e annual meeting, he said charter activity had been lower than expected. Dan-Air had rescheduled its summer programme so that the peak season was fully covered – but not as successfully as planned.

Davies shares fell 20p to 785p, down 2.5 per cent against the run of the rest of the market.

Sea Containers bid expected to be rejected

By Andrew Hill

Mr James Sherwood, Sea Containers' president, is today expected to reject the unsolicited $824m offer for the containers and Sealink ferries group.

Tiphook, the UK container rental company, and Stena, a private Swedish ferry group, launched their bid in the US two weeks ago at $50 a share.

But shares in Bermuda-registered Sea Containers were trading at up to $60 apiece in New York yesterday, the highest price since the offer was announced, reflecting US arbitrageurs' hopes of an improved offer.

Mr Sherwood holds 7.1 per cent of the stock, and Sea Containers' subsidiaries and management are thought to account for a further 24.5 per cent, although recent purchases by the group are subject to legal action in Bermuda.

Stena already owns some 8.2 per cent of Sea Containers, a holding which has itself been challenged by the Bermuda group in the US courts.

Norton to reverse into Minty

By John Ridding

NORTON GROUP, the motorcycle manufacturer and distribntion company, is reversing into Minty, the furniture maker, in a deal which will bring it to the main market and further its strategy of diversification.

Under the two-step deal, Minty is to issue new shares to purchase Norton's entire share capital and Norton is to make a partial cash offer for 29.9 per cent of Minty'e existing shares. This values Norton at £15.8m and the combined group at £27.1m. On completion, Norton shareholders will hold 58.2 per cent of the enlarged share capital.

Minty also announced yesterday that it had reached a conditional agreement to dispose of certain property and the Architectural Trading Company to Priest Marians Holdings for £12m and £1.25m respectively.

Mr Simon Fussell, Minty's chairman is also the chairman and major shareholder in Priest Marians.

Mr Phillippe Le Roux, Norton's chief executive, who will hold the same post in the enlarged group, said that the deal would "take us to the main market, provide a strong balance sheet and provide us with another strong brand name."

"We see our future as as a conglomerate rather than just a motorcycle manufacturer," he added.

Minty designs and manufactures upholstery and cabinet furniture. In the six months to October 31 1988, it reported pre-tax losses of £168,000. As of March 22, net assets stood at £13.66m.

Mr Fussell, who will now concentrate on Priest Marian Holdings, said that the deal made sense because "whereas Minty has lots of assets and low earnings, Norton has relatively low assets and high earnings."

Norton has already been following a policy of diversification and acquired Pro-Fit, a US carbon steel pipe fittings distributor, for £8.7m in October last year. In the 16 months to December 31, Norton reported pre-tax profits of £1.3m and had net assets of £2.75m.

Mr Le Roux said that "while it is not fashionable to be a mini-conglomerate there are still a lot of opportunities in buying undervalued assets and cash flows." He said that the group was interested in acquiring companies in the fastener industry in both the UK and Europe.

Following the deal, Mr Fussell, Mr Paul Monks, managing director of ATC, and Mr Jim Prower, group finance director will resign from Minty's board. Mr Jimmy Tildesley, Norton's chairman, and Mr David Gnodde, finance director, will join the new board in the same role.

Minty has received undertakings to approve the purchase of Norton in respect of 49.2 per cent of the company's shares.

UK COMPANY NEWS

In better-than-expected £48.5m, fuel fall is offset by other gains

Coalite defence aided by profit rise

By David Waller

THE £427m bid battle between Anglo United and Coalite entered a bitter phase yesterday as the latter published a robust defence document supported by better-than-expected 1988/89 figures and took the opportunity to attack the track-record of its much smaller predator.

The Derbyshire-based group, which has businesses ranging from smokeless fuel manufacturing to the Falklands Island Company, made pre-tax profits of £48.51m in the year to the end of March, up from £45.53m in 1987/88 and ahead of the £46m-£46.5m expected by the market.

Earnings per share climbed by more than 13 per cent to 35.26p (31.16p), largely because of a fall from 33 to 28.6 per cent in the tax rate. Turnover climbed from £615.59m to £666.16m, while operating profits edged ahead from £41.1m to £45.33m. The final dividend is a proposed 11.25p (7.3p) making 14p (9.8p) for the year, a 43 per cent increase overall.

Coalite gave a breakdown of its profits showing that overall growth was constrained by a fall to £19.52m (£22.95m) in the fuel manufacturing and distribution business. This was offset by a 31 per cent increase to £11.9m from environment and construction and a 53 per cent surge in profits to £13.91m from trading.

Mr Eric Varley, Coalite's chairman, argued that the figures were extremely good, given the excessively mild winter, and that the performance of the growth businesses – as opposed to the fuel businesses – vindicated the company's strategy.

Tony Andrews

Brian Cooper (left), deputy managing director, Roger Wallace (right), financial director, and Eric Varley, chairman – the performance of the growth businesses vindicated the company's strategy

This has been to channel the cash produced by the mature fuel businesses into faster growing areas such as construction and waste management.

Mr David McErlain, chairman of Anglo, a company with interests in open-cast mining and fuel distribution, wants to put his fuel business together with that of Coalite and sell off the other interests.

Coalite argued that the downturn in fuel was slight in view of the mildness of the winter; Coalite's share of the smokeless fuel market had actually increased and there was no question of neglecting it. Mr McErlain said this was the fourth time in five years that Coalite had blamed good weather for bad results.

He also pointed out that if the tax rate had been the same as in the previous year, growth in earnings per share would have been confined to just under 7 per cent.

Coalite acknowledged that some of the fall in the tax bill was due to a one-off prior-year loss being accepted by the *Inland Revenue*, but said that tax planning had made sure that the rate would not climb back to historical levels.

Coalite contended that Anglo's 425p-a-share cash bid was opportunistic and inadequate, pitched at a mere 12 times 1989 earnings. It also alleged that the disposal plans were foolish and dictated by the needs of the financiers backing the smaller company.

Mr McErlain said he would respond in more detail to this challenge early next week; meanwhile, Coalite's shares rose 3p to 441p.

JFB rises 21% to £4.66m

By Ray Bashford

JOHNSON & FIRTH Brown, the Sheffield-based metals and engineering group, lifted pre-tax profits 21 per cent in the six months to March 31, aided by reduced interest charges and a higher contribution from associated companies.

Profits rose from £3.85m to £4.66m while turnover edged forward to £52.17m (£50.59m). Earnings improved to 2.5p (2p) and the interim dividend is lifted 0.2p to 0.8p.

The impact on the results of lower interest charges and improved performances at associated companies was highlighted by the meagre rise in operating profit to £4.11m (£3.9m).

Interest from the £4.7m cash which the company received from two disposals and placed on deposit offset other borrowing charges. The interest bill for the half fell to £312,000 (£749,000).

JFB's share of profits from associated companies advanced to £866,000 (£696,000) due primarily to a recovery at Thomson Bolton & Johnson, the electrical engineering and construction group which is jointly owned with BICC.

Mr George Hardie, finance director, said that the aerospace engineering business was an important factor to the group's underlying strength.

He said prospects remained strong, carried by long-term contracts with leading players in a buoyant industry including Rolls Royce and Pratt and Whitney.

The company also announced the acquisition of Ring Rolled Products, a subsidiary of British Steel, for £570,000 cash and £949,000 as settlement of outstanding loan accounts due to British Steel.

● COMMENT

The six months under review have been important in partially reorganising the metal basher and preparing it for the expansion which is underway. Integration of Woodhouse & Rixson, acquired in October 1987, has restrained the performance but benefits will be on display when the full results are issued. The strengthening of ties with its major aerospace customers will also bolster the results from an area which shows strong indications of continued growth. The interest bill should remain pegged back by returns from invested funds and the worst appears to be over for Thomson Bolton & Johnson. However, as yesterday's acquisition indicated, the management believes there is scope for further bolt on acquisitions while continued reorganisation of the company's clutch of small light engineering operations might also be considered. The unknown factor in the company's future is the intention of Suter, the industrial holding company which has 9.6 per cent of the groups's capital. This speculative element is reckoned to account for about 5p of yesterday's closing price of 57p. Estimated full year pre-tax profits of £10m place the company on a prospective p/e of 11 – well ahead of the sector average.

Sketchley cleans up with 29% advance

By Philip Coggan

SKETCHLEY, the dry cleaning, vending and workwear rental group, yesterday reported a 29 per cent increase in pre-tax profits and a 15 per cent increase in earnings per share for the year to March 31.

Pre-tax profits were £17.27m (£13.39m) on turnover of £216.96m (£181.19m) and the final dividend is being increased to 14.4p for a total of 20.9p (19p).

All four main divisions reported increased profits with the greatest improvement shown by the vending side which saw operating profits rise 84 per cent to £6.02m (£3.27m) on turnover of £60.09m (£39.92m).

Part of the increase was caused by the inclusion of Roboserve which during the year was merged with Breakmate. The two companies now trade under the name of Sketchley Vending.

The consumer services division, which includes the dry cleaning shops, saw profits grow by 25 per cent to £6.2m (£4.97m) on turnover of £54.92m (£50.63m). Thirty-five new stores were opened and five were closed, bringing the total number of outlets to 499.

During the year, Sketchley sold the Equipu photocopying business and the office services division now consists of Mellordata, which distributes computer peripherals and microcomputer products. The division made profits of £3.04m (£1.96m) on turnover of £27.5m (£16.68m).

The textile services division, which rents and cleans workwear, increased operating profits to £4.6m (£3.84m) on turnover of £42.47m (£34m). Mr Malcolm Glenn, chairman, said the newly established Sketchley Corporate Clothing, which provides clothes for "front-of-house" employees, had strong potential for growth.

Gearing is 115 per cent, but if the leasing activities are excluded, the ratio falls to 39 per cent. Interest payable was £5.58m (£3.56m).

There was an extraordinary credit of £3.8m relating to the disposal of Equipu but this was offset by the £4.01m provision for reorganisation and disclosure costs.

● *COMMENT*

Has Sketchley turned the corner? At last earnings per share have moved forward after being stuck in a rut since 1984. All divisions showed profits improvements and Mr Glenn says the group structure is now how he wants it. However, there are still one or two signs of weakness. The company took £4m of restructuring costs below the line and included £1.4m of property profits above it; the former indicates that last year's profits improvement might not have been quite so impressive as it appears, the latter slightly dilutes the quality of the earnings. And although the yield is high at 6.4 per cent, dividend cover is low. If Mr Glenn can produce another year of 15 per cent earnings growth, Sketchley's image might re-emerge spotless after the gloomy years of the mid-1980s; if growth falls short, a bidder might emerge. In the meantime, the shares at 438p look fully valued on a prospective p/e of 11.

LWT cuts Hutchinson link

By Andrew Hill

LWT (Holdings), the weekend television contractor for London, has ended its 11-year relationship with Hutchinson, the publisher which merged with *Century* in 1985.

The company is to commit its 23.4 per cent stake in Century Hutchinson to Random House, the US publisher which this week agreed to buy the UK publishing group for about £64m.

The disposal will raise about £15m compared with the book value of £4.3m. In 1988 the holding earned LWT £600,000.

Mr Christopher Bland, chairman of LWT and Century *Hutchinson, said yesterday* that the proceeds would be used to develop LWT's core television business.

The group has now sold or agreed to sell all its non-core activities. It disposed of Page & Moy, the travel subsidiary, last year, and, like other independent television companies, will sell its stake in TV Times to Reed International.

LWT bought Hutchinson in 1978, reducing its stake to 25 *per cent after* the *merger* with Century in 1985.

Mr Bland said he thought the price offered by Random House would probably not have been bettered through a stock market listing which was Century Hutchinson's original intention.

Camford Eng. advances 41%

Taxable profits at Camford Engineering showed an advance of 41 per cent from £1.57m to £2.22m in the six months to the end of March.

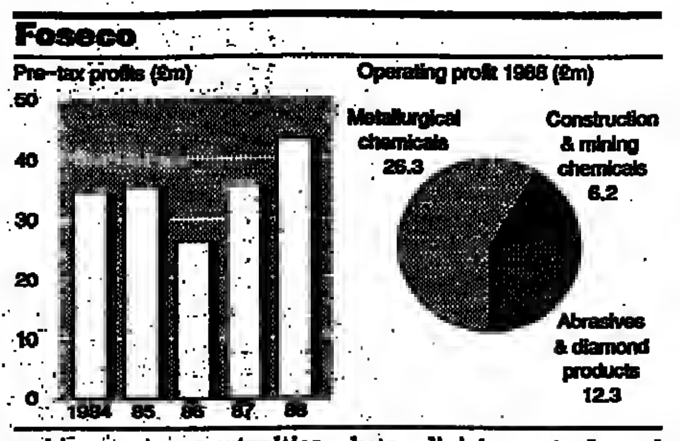
The Stevenage-based general engineering group achieved the improvement on turnover ahead to £49.41m (£48.51m).

After tax of £825,000 (£548,000), an interim dividend of 1.3p (1p) is declared from earnings of 7.33p (5.37p) per share.

UK COMPANY NEWS

Seeking opportunities together

Clare Pearson considers the possibility of a takeover at Foseco



OF ALL THE moments in the chequered recent history of Foseco, the specialist chemicals and abrasives group, now looks like a very unlikely time for a predator to strike.

Its shares, although not highly rated, are in far better shape than they were two years ago, after Foseco suffered its second profits setback of tha 1980s. Meanwhile, boom conditions in its main steel and foundry markets which have buoyed up its performance are deemed to be nearing an end.

Navertheless, after heavy trading and a sharp share price rise in recent days, Foseco on Wednesday uncovered a couple of intriguing new shareholders in the form of the US-based Scharf brothers, who owned a combined 4.4 per cent stake as of Thursday last week.

The development has triggered a 25 per cent rise in the share price over the past week, pushing the market value to £301m. It has also set the market wondering whether there might be something abont Foseco, frequently dismissed on the grounds that it has never been able to shake off its cyclicality, that the City has overlooked.

The Scharfs determinedly have "no comment" about their investment. Yesterday Mr Gilbert Scharf volunteered: "We are just two businessman seeking out opportunities together. Let's just leave it at that."

It is clear, however, that they combine between them experience in both securities trading and industry, and also a certain amount of funds.

Mr Michael Scharf is chief executive of Edgcomb Corporation. This US operator of metal services centres last month agreed to a buy-out bid led by other members of its management. Mr Scharf, the biggest single shareholder, is expected to net more than $20m. According to his brother, he also has "diverse other business interests."

Mr Gilbert Scharf joined his brother in New York earlier this year having given up his job as head of the capital markets division at Lazard Brothers, the UK merchant bank. This operation, which Mr Scharf formed after leaving the US investment bank Morgan Stanley, is, according to its present head, "the type that trades in just about any instrument that seems cheap."

The picture suggests strongly these two individuals are hoping to flush out a third party bidder for Foseco rather than preparing one themselves.

Mr Peter Cartwright, chemicals analyst at stockbroker Williams de Broe Hill Chaplin, points out that it would in any case be extremely difficult to mount a heavily debt-backed offer for Foseco. This is because it would be hard to convince the backers it would be possible to nail down the cash flow from its complex array of small subsidiaries around the world.

But in spite of persistent rumours covering practically every possible suspect, especially after the second profits setback in 1986, no other company has ever emerged as a bidder.

These days, although not highly esteemed in the City, the management under Mr Bob Jordan, chief executive since early 1987, is thought to have done a reasonable job in loss elimination and restructuring. A 22 per cent rise in pre-tax profits to £43.1m was achieved in 1988, and more growth, albeit at a lower level as the recovery phase comes to an end, is expected this year.

Nevertheless, the company appears to be getting more vague about when its stated aim of achieving 10 per cent margins will be achieved; it is strongly cash-generative; and there are donbts about its long-term future unless it broadens out by making a big acquisition.

All these factors ought to make it a takeover candidate. Additionally, there are some such as Mr Cartwright who feel that its proprietary technology in a number of products, such as ceramic filters for molten metals, is consistently underestimated by the City.

Another Rockwood purchase

By Edward Sussman

ROCKWOOD Holdings, the acquisitive USM-quoted distribution group, has agreed to buy Interfreight Group, a shipping and forwarding consortium, for an initial $7m (£4.4m).

Rockwood will pay $3.5m cash and an equal amount of bank guaranteed promissory notes for the Transocean Mercantile Establishment and the Sndfreight Establishment, known together as Interfreight. Up to a further $7m may be paid depending on profits up until May 1991.

Interfreight, a consortium of companies based in West Germany the Netherlands and the UK, is owned by Johann Blasberg.It ships and distributes European goods and equipment to east and central Africa and returns agricultural commodities, including coffee and tobacco, to Europe. Book value at end-1988 was $5.1m, but Rockwood believed it will be revalued to at least $7m.

Rockwood said its present operations between Europe and Africa were only marginally profitable, and it believed the acquisition will boost these results.

The acquisition is subject to the approval of Rockwood shareholders.

Objection to Chloride motive power sale withdrawn

By Nikki Tait

DR MAURICE GILLIBRAND, a long-standing dissident voice et shareholders meetings of battery group Chloride, said yesterday that he would not now be opposing the resolution being put forward at the extraordinary general meeting to be held this morning.

The motion is to approve the sale of Chloride's motive power business to Compagnie Genéralé d'Electricité for £55m. However, Dr Gillbrand made clear that he still expected to raise questions at the meeting, provided there is sufficient turnout to warrant this. He suggested that shareholders still need to know about the profitability of the remaining parts of the business.

Dr Gillibrand said yesterday that he had been attempting to generate an alternative "rescue plan" for Chloride over the past week, which would involve some form of capital-raising rather than the sale of the motive power interests. These, be argues, constitute one of the most profitable parts of Chloride's operations.

However, he added that he had previously told the Chloride board that, if they were prepared to consider his proposals, he would not vote against the sale if he failed to rally support. Despite meetings with three major institutions this week - the Prudential, ICI Pension Fund and M&G - as well as Chloride itself, Dr Gillibrand conceded yesterday that support had not been forthcoming.

Chloride - which has had a highly uneven record in the past - surprised the market in April by warning that profits in the year to end-March would be down on the previous year. At the same time, it announced the motive power sale and said that Exide Europe, the car battery business whose poor performance was partly responsible for the profit figures, would also be sold - a deal which has now been cemented. It has since made clear that debt rose by over £50m, from £28m, during the year, and has given the market a second unwelcome surprise by cutting the final dividend.

The company, bowever, argues that there are limited prospects for further growth of the motive power business in its present form.

Flexello back in black

FLEXELLO Castors & Wheels reported an interim pre-tax profit of £508,000, against a loss last time of £29,000. The comparable result was struck after exceptional reorganisation costs of £440,000.

Turnover in the six months to the end of March increased 12 per cent to £8.28m (£7.37m). Earnings per share were 10.12p (0.53p losses) and the interim dividend has been raised from 1.5p to 1.67p.

Mr Geoffrey Day, chairman, said tha improvement was achieved despite the higher interest charges of £157,000 (£68,000) resulting from increased borrowing needed for the restructuring programme.

ITL drops into red

ITL Information Technology, a designer and supplier of compnter and communication application systems, dipped sharply into the red in the year to April 2 1989. On turnover slightly ahead at £31.61m (£31.12m), the pre-tax deficit amounted to £1.15m, against profits of £2.52m. A single dividend of 0.5p is proposed compared with a total of 2p.

Frozen foods side helps Hunter Saphir rise 21%

HUNTER SAPHIR, the food manufacturer and distributor, yesterday showed continned growth in unveiling a 21 per cent increase in pre-tax profits for the year to February 28.

On turnover ahead at £167.56m (£163.67m), the taxable result came out at £6.05m compared with £5.01m in 1987-88.

Mr Nicholas Saphir, chairman, said considerable growth had been achieved in the core manufacturing businesses of frozen and long life foods, and that all the food manufacturing businesses had extended their catalogues. Produce operations had also improved during the year.

Although it was too early to assess the outcome for the current year, Mr Saphir said the company had been performing satisfactorily in the first few months.

Earnings per share rose 25 per cent from 11.33p to 14.14p. The final dividend is lifted 1p to 3.7p making a total for the year of 5.05p (4.05p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Willoughby's Consolidated.
Finals- Brown Shipley, Chancery, Elga, Grand Central Inv, Hicking Pentecost, Property Partnerships, Shaw (Arthur), Somic.

FUTURE DATES

Finals-

Baker Harris Saunders	July 6
Bristol Evening Post	June 30
Hoskins Brewery	June 16
Kewill Systems	June 21
London Securities	June 20
Shelton (Martin)	June 28
VBEL Consortium	June 15
Volex	June 20
Wagon Industrial	June 26

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Boots	fin	6.5	-	5.7	10	8.8
British Gas	fin	6.25†	Oct 4	5.5	9	8
Broadwell Land §	fin	3.64	-	-	5	-
Century Oils	fin	4.25	Aug 4	4.25	6	6
Coalite Group	fin	11.25†	Aug 21	7.3	14	9.8
Finlay (James)	fin	2.15	July 27	2.15	4.15†	4.15
FKI Babcock	fin	3.5	-	1.75	4.5	2.35
Flexello Castors	int	1.67	July 26	1.5	-	4.9
Gaynor Group §	int	1.2	July 24	1.2	-	3
Hanover Druce	fin	3.5	July 31	3	5	4.35
Hunter Saphir	fin	3.7†	July 25	2.7	5.05	4.05
ITL information	fin	0.5	July 28	1.8	0.5	2
Johnson Firth	int	0.8	July 27	0.6	-	2
New Throgmorton	fin	4.75	July 19	4	6.5	6.5
NMC Group	fin	2.3	Oct 2	1.6	3.3	2.3
Oxford Instrum	fin	2.2	-	1.9	3.2	2.7
Palmerston Hldgs	fin	5.75	-	-	8.5	-
Phoenix Timber	fin	1.65†	Aug 1	1.5	2.75	2.5
Powerscreen Intl	fin	3	-	2.5	4.2	3.5
600 Group	fin	3.74	July 31	3.435	6.2	5.775
Sketchley	fin	14.4	Aug 3	13	20.9	19
Thorn EMI	fin	19.5	Oct 6	16	27	22
VPI	int	1.1	Aug 18	1	-	3.5
Yale & Valor	fin	5.3†	Oct 6	5.7	8.75	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

UK COMPANY NEWS

600 beats City forecasts with 52% rise to £10m

By John Ridding

IMPROVED DEMAND across all its divisions and the benefits of restructuring prompted a 52 per cent increase in pre-tax profits to £10.1m at 600 Group, the machine tools company, for the year to March 31.

The results, which were in excess of City forecasts, included a £1.77m exceptional gain on property disposals. However, this was offset by reorganisation and restructuring costs and a provision for claims on a Middle East contract.

Group turnover increased from £123.8m to £156.5m with all three of the group's divisions – UK manufacturing, UK trading and overseas – experiencing strong gains. The largest contribution came from the first of these, which increased profits from £1.4m to £4.3m.

Mr Noel Davies, chief executive, said the group's current strategy was illustrated through three projects undertaken during the year – the rationalisation of Colchester Lathe, the further move into electro optics through acquisition, and the construction of a purpose built factory for the GCM 600 subsidiary.

Earnings per share increased from 11.3p to 14.8p.

There is a final dividend of 3.74p, giving a total of 6.2p (5.775p).

● COMMENT

An increase in sales goes a long way at the more efficient 600 Group, pushing margins up from 7.3 to 10 per cent, and resulting in a strong performance at the operating level. The City, pleasantly surprised, marked shares up 9p to 139p. The question is whether such performance can be maintained in today's less clement economy. While the company is right to express caution, a degree of protection is afforded by its strategy of subcontracting wherevar possible, by developing the less mature electro optics business and by geographical expansion. In addition, with 60 per cent of UK products exported, the current level of sterling, volatile or not, should prove beneficial. These factors, combined with the current strong level of orders and the likelihood of between £1m and £2m from further property sales, suggests that pre-tax profits of £12.5m should be reached in the current year. This puts shares on a prospective multiple of 8.5 – attractive even without considering that, after the property revaluation, assets per share ere just 8p below the price.

Strong demand lifts Powerscreen by 28%

By Vanessa Houlder

POWERSCREEN International, the Northern Ireland-based manufacturer of crushing and screening equipment, yesterday announced a 28 per cent increase in pre-tax profits from £9.04m to £11.55m for the year to March 31.

Turnover was almost static at £48.88m (£48.92m). However, excluding British Benzol, the solid fuels distribution business which had a turnover of £17.51m in 1987-8 and was sold last June, there was a 63 per cent rise in turnover.

The company said it had reached a "highly satisfactory" agreement with the Inland Revenue, which would remove a £20m contingent liability from the accounts, in return for a one-off payment of £2.5m. The tax charge for this year will be similar to last year's total of 19.3 per cent, it said.

Mr Patrick Dougan, chairman, said that demand had grown strongly, helped by expansion in Europe and continued growth in the construction and waste recycling industries.

The profits of Royer Industries, a US maker of soil and compost shredding equipment bought in January, were expected to show rapid improvement following an increased emphasis on marketing, said Mr Dougan.

The company had net cash of £6.6m at the end of the year. There was an extraordinary item of £3.38m resulting from the tax settlement, redundancies at the Belleek potteries and Benzol sale costs.

Fully diluted earnings per share rose 19 per cent from 10.1p to 12.0p. A final dividend of 3p per share was proposed, which together with the 1.2p interim, represents an increase of 20 per cent over last year's total of 3.5p.

● COMMENT

Credibility has not always been Powerscreen's strong point, so the City welcomed these results which should help the company put its image problems behind it. Gone is the taint of the British Benzol businesses that damaged last year's results. The agreement with the Inland Revenue removes the spectre of a £20m contingent liability. And the judicious Royer acquisition should dispel some of the doubts about its acquisition policy raised by last year's rather curious purchase of Belleek Pottery. As a result, the shares now look somewhat undervalued on a rating of 8, assuming pre-tax profits of £14m and a share price, up 4p to 116p. Looking ahead, Powerscreen should benefit from the stronger dollar, its increased manufacturing capacity, higher spending on roads and gingering up its Royer acquisition. And while the group is unlikely to be given the fancy ratings of "green" stocks, environmental pressures can only add to the demand for recycling materials.

Purchases help NMC double

By Edward Sussman

NMC Group, the specialist packaging and property company, reaping substantial benefits from its acquisition of Universal Packaging of the US, increased pre-tax profits 59 per cent from £6.32m to £10.06m in the year to March 31.

Turnover doubled from £49.67m to £98.27m, largely because of the acquisition strategy followed by Mr Norman Gordon, chief executive, and backed by the Saatchi brothers, holders of a 20.5 per cent stake.

The share price remained steady at 135p yesterday, but below the 162p level they were trading at three weeks ago after NMC's announcement it had received a tentative bid approach, thought to come from Jefferson Smurfit, the Dublin-based packaging group, and later terminated.

The packaging division profit contribution doubled to £9.16m (£4.56m). Mr Gordon said he expected UPC, bought for an initial $87m (£55m) in August, to account for about one third of profit when it was incorporated into results for a full year.

He added that the acquisition had proven favourable in terms of currency and interest rates. UK packaging also performed well, the company said, except for its Kent corrugated business, which was sold after the year end for £1.63m resulting in a £869,000 extraordinary loss.

Profit from the property and financial sectors surged from £1.89m to £3.02m. Despite interest rate concerns, Mr Gordon said the company was looking for growth in the property division.

Net interest payable was £1.35m, a sharp change from last year's receivable of £465,000, and gearing was 70 per cent. Tax paid in the latest period was £3.16m (£2.21m). Earnings per share, on a fully diluted basis, were 13.04p (10.43p). A final dividend of 2.3p is recommended, for a total of 3.3p (2.3p).

Fergabrook restructures as it falls to loss of £4m

By Peter Pearse

FERGABROOK GROUP, the USM-quoted distributor of consumer merchandise, plunged sharply from pre-tax profits of £541,000 in 1987 into losses of £4.22m in 1988. Losses per share were 10.72p, against earnings of 1.82p.

Coincident with, and as a result of, the results, a major reorganisation of the group was also announced. This includes a rights issue to raise £3.27m gross on the basis of three new ordinary for every eight held and three new ordinary for every £2 nominal of 12 per cent convertible unsecured loan stock 1992/1997.

During 1988 the company shed two of its three divisions – cosmetics and toiletries (closed) and security and electrical (sold).

These discontinued operations incurred losses of £1.36m (£886,000) on turnover of £2.9m (£2.39m).

The toy division, which the company said suffered from inadequacies in the infrastructure and internal reporting, top-heavy group charges and insufficient working capital, fell into losses of £1.95m (profits £2.02m) on turnover down at £16.93m (£20.72m).

In a move to strengthen its management and capital base Fergabrook acquired Relaxstone in September. Since then, and to complement Relaxstone's plastic moulding capabilities, the company has, through a subsidiary, agreed to acquire Ward Adams and Ward Adams (Technical Mouldings) for £1.65m cash.

The directors said they were confident that the interim results for the half-year to June 30 1989 would show a substantial reduction against the £2.5m losses last time.

Wooltons losses hit Betterware

By Vanessa Houlder

BETTERWARE Consumer Products, the USM-quoted housewares group formerly known as Wooltons Betterware Group, announced a fall in pre-tax profits from £1.245m to £549,000 for the year to February 25.

However, the contribution from continuing activities increased by 44 per cent to £1.8m (£1.25m), on turnover of £11.23m (£8.07m). These were offset by losses at the Wooltons curtains business, which was sold to Lonhro for £3.8m last August. The sale generated an extraordinary profit of £1.43m.

Betterware Sales, the core business which makes door-to-door sales of brushes, kitchen equipment and DIY products, increased profits by 59 per cent to £1.6m (£1m). The division is planning to expand on to the Continent. It is also increasing its product range to include cosmetics.

The company plans to manufacture all its products within the next 18 months. This will be achieved with the help of the spare manufacturing capacity of Crayonna and Geeco, maker of kitchen, bathroom and garden accessories, which was bought from McKechnie in May.

During the year, the company also bought Concept Housewares, SABCo, Moka Express and Universal Agencies to extend its sourcing and manufacturing ability. In addition it acquired W Bill, a Bond Street cashmere retailer, and Petworth House, a retailer of sports goods.

Eskrith, a specialist textile manufacturer, suffered weakened margins as a result of a disruption following the installation of computers. There were also losses from Interhome Direct, a mail order business which was discontinued in the latter half of the year.

Earnings per share fell from 8.94p to 5.21p. A final dividend of 3.75p is recommended, making a total of 5.55p (4.4p). The Cohen family, which owns 80 per cent of the shares, have waived their entitlement to half the interim and final dividends.

Further setback at Neotronics Technology

Neotronics Technology, the Hertfordshire-based instrument manufacturer which experienced a 32 per cent pre-tax profits setback to £1.83m for the 1987-88 year, continued on a downward path for the opening six months of the current year.

For the six months to March 31 turnover edged ahead to £5.9m (£5.29m) but at the pre-tax level profits fell from £1.16m to £935,000.

The directors said the results of the substantial investments made during the past year and the beginning of this year were expected to show through during the second half although full benefits would not be felt until next year and beyond.

They added that the second six months had started with a substantial increase in booked orders which were expected to provide additional revenue for the full year.

First half earnings amounted to 2.3p (2.8p) per share and the interim dividend is maintained at 0.6p; last year's total payment was 1.8p.

Institutions back Burns network

By Andrew Hill

ELEVEN financial institutions have invested £3m in the Burns-Anderson Independent Network – a group of financial advisory firms belonging to Burns-Anderson Group, the financial and recruitment services company.

The institutions, which include Commercial Union, Norwich Union and Sun Life, have bought 3m convertible redeemable cumulative preference shares in the wholly-owned subsidiary.

Burns-Anderson hopes to float the network within five years. If the group succeeds, the institutional investors will receive ordinary shares worth £1.50 in exchange for each convertible.

Mr Alan Moore, chief executive, said there was no conflict involved in institutions funding an independent financial advisory service. He said several of the investors already held shares in the parent company.

"There is no suggestion that because they happen to be shareholders in the group, our independent firms are going all-out to sell their products," said Mr Moore yesterday.

He pointed out that if the network were successful, it could be valued at as much as £30m by flotation. The 11 institutions' investment would be worth only £4.5m, or less than 1.5 per cent each.

Burns-Anderson – headed by former ICI chairman Sir John Harvey-Jones – set up the network in February 1988. It originally aimed to have brought about 1,000 individual members, or about 300 firms, under its umbrella within five years.

But Mr Moore said that it had accelerated its plans, and now hoped to have 300 member firms by March 31 1991, against 100 at the moment.

Sheldon Jones joins Unilever for £3.8m

UNILEVER, the Anglo-Dutch consumer products group, announced that BOCM Silcock, its British animal feeds subsidiary, is acquiring the agricultural division of Sheldon Jones, the USM-quoted animal feeds manufacturer and crop products supplier.

The division, which produces compound animal feed at mills in Wells, Somerset, and Halberton, Devon, is being purchased for approximately £3.8m cash.

The Sheldon Jones business will run as a separate division of BOCM, with its own brand names and products, but will have access to the extensive nutritional expertise at BOCM.

BOCM, the market leader in compound animal feeds, sees the acquisition as a strategic move in its development of service to customers, and as a good opportunity to rationalise its production capacity in the south west of England.

Bardsey accepts alternative bid for Rabone subsidiary

BARDSEY, the hand tool manufacturer and distributor, is recommending acceptance of a higher alternative offer for its Rabone Chesterman subsidiary.

Cooper Industries, the US hand tools manufacturer, is bidding £9.5m for the company, compared with £8.5m offered last month by Stanley Works, the UK offshoot of the US-based tools and hardware group.

The Cooper offer is £7.7m cash and the balance through the assumption of liablities held by Rabone Chesterman. The Stanley offer was on the same basis with a higher cash element.

The plan also calls for freehold properties with a book value of £2m to be retained by Bardsey and leased to the purchaser.

A meeting of shareholders on June 23 has been called to consider the deal with Cooper and reject the Stanley offer.

RCO rises 41%

First half profits of RCO Holdings advanced nearly 41 per cent from £923,000 to £1.3m. Turnover in the six months to March 31 1989, rose to £13.78m (£10.83m). Earnings rose to 7.85p (5.57p) and tha interim dividend is lifted to 2.7p (2p).

Synchrotron costs restrict Oxford

By Clare Pearson

EXTRA PROVISIONS for the synchrotron micro-chip project meant pre-tax profits of Oxford Instruments, the high technology group, came out just one per cent higher at £11.27m in the year to March 26.

However, thanks to rationalisation benefits on the dominant magnetic resonance imaging (MRI) side, which is being transformed through the setting up of a joint venture with Siemens, the West German electronics group, profits before the exceptional debit were 24 per cent higher at £14.31m (£11.52m).

The extra provision f £1.7m in the second half for synchrotron, a machine allowing for the production of a new kind of small, high capacity chip, came after £500,000 laid aside at the half-way stage. The extra provision arose from delivery delays on the part of subcontractors.

Mr Peter Williams, chief executive, said the size of the provision reflected the fact that the project was now sufficiently advanced for Oxford to know what the worst could be. A first prototype is due to be sent out early in 1991.

Oxford expects to get regulatory approval in August for its move to pool resources with Siemens in MRI, which is used for diagnostic purposes. The deal gives Siemens a 51 per *cent stake in Oxford Magnet* Technology, and Oxford net cash of about £15m.

The company said the arrangement was an extension of its drive for greater cost competitiveness following earlier moves such as the closing of the New Jersey factory.

Oxford's cash resources totalled £23m at the balance sheet date. Mr Williams said the company continued to look for acquisition targets in the areas of scientific instrumentation and medical patient monitoring.

Turnover was £101.13m (£89.14m). Rationalisations in MRI accounted for £835,000 of the exceptional costs. Earnings per share were 15p (14.9p). The proposed final dividend is set at 2.2p making 3.2p (2.7p) for the year.

● COMMENT

Bid speculation surrounding Oxford Instruments, naver very robust, was dealt a blow after the announcement last month of the Siemens deal. These days followers of the company are back to waiting patiently for the long drawn-out synchrotron project to bear fruit. Mr Williams struck a confident note yesterday, saying he was expecting the machine, which could have revolutionary implications for the semi-conductor industry, to "blow out the door". This year, however, it will continue to eat up funds while the Siemens arrangement, although sensible in the longer term, is bound to cause some dislocation. *Pre-tax profits growth of* about 10 per cent, on last time's pre-exceptional line, is likely: the shares, on a prospective p/s of over 14, are quite high enough for the moment.

VPI warning after 21% midway decline

By Nikki Tait

VPI GROUP, the financial and corporate communications company, yesterday blamed a "severe downturn" in the American mergers and acquisitions market for a 21 per cent fall in pre-tax profits in the six months to end-March.

The profit came to £5.06m, compared with £6.43m. It was generated from turnover of £26.6m (£26.8m), and operating income of £14.3m (£14.8m).

Earnings per share, after a reduced tax charge of 35 per cent (44 per cent), fell from 8.2p to 7.4p. The dividend goes up by one-tenth to 1.1p. VPI shares fell from 138p to 121p yesterday.

VPI said that its core communications consultancy and investor relations interest performed "soundly" in the first half, but that its US M&A related business - which accounts for about 30 per cent of the business of the Carter Organisation, which VPI acquired via an earnout deal in 1987- had been "affected by the inherent volatility of this sector."

It pointed ont that deals announced in the first quarter of 1989 totalled only $88.7bn compared with $172bn in the same period last year.

VPI added that "while prospects for UK operations continue to be bouyant, in the light of conditions currently prevailing in the The Carter Organisation's market place,a significant improvement in the group's performance in the second half of the year cannot be anticipated at this stage". It suggested that growth, at the trading profit level but ahead of group overheads, among the UK businesses was around 20 per cent.

● COMMENT

Analysts appeared to be fairly well prepared for the first half downturn at VPI; what seems to have upset the market - and led to yesterday's price fall - was the rather grim noises being made about the second six months. That had the pundits scaling down forecasts to around £11m-£11.5m for the full year putting the shares on a prospective multiple of 7.5 to 8 times. At face value, the rating looks fairly low. But the quality of Carter's earnings now appears very questionable and-with this subsidiary accounting for over 60 per cent of trading profits, the focus of the company seems uncomfortably narrow. True, VPI's recent acquisition of a small interest in Charles Barker - about one per cent - could be an indication that the group sees a means of addressing the problem. However, the prevailing feeling amongst analysts seems to be that this is more a question of VPI putting down a marker should the Barker situation develop, rather than a strong intiative of its own.

Short-term, at least, the potential npsids does not look encouraging.

Palmerston tops £5m after 65% advance

PALMERSTON HOLDINGS, which came to the market in July 1988, the result of a merger between Reliable Properties and Palmerston Investment Trust, lifted pre-tax profits 65 per cent £5.1m in the year to March 31.

Total income was £11.59m (£4.73m), while administrative expenses took £1.39m (£257,000) and interest payable £4.99m (£1.43m).

On interest rates, the directors said that with almost 90 per cent of group borrowings being either fixed rate or capped during a more favourable climate, and a total absence of any direct commitment to any major development, the company was to a great extent shielded from the areas which could cause concern in the property market in the years to come.

It accordingly looked to the current year to reinforce its position as a soundly-based property investment group.

Proforma net assets per share rose from £2.35 to £4 last year while net earnings were 19.1p (9.8p) per 25p share, after a tax charge of £1.06m (£1.01m). The dividend is a proposed final 5.75p for an 8.5p total. The shares closed 27p higher at 267p yesterday.

Phoenix Timber marks time with high interest rates

By John Thornhill

HIGH INTEREST rates stalled progress at Phoenix Timber Group, the Essex-based timber products and and building care services group, and the company warned that the continuation of high rates spelt uncertainty for the prospects of the building industry.

This warning cams yesterday as Phoenix announced that pre-tax profits had slipped mar*ginally from £1.47m to £1.42m* in the year to March 31.

Mr Peter Quinn, chairman, said the major cause of the decline was the very high level of interest rates during the second half.

Interest charges rose from £956,000 to £1.88m. But losses were also incurred at the company's wharf operations and in its Phoenix Window subsidiary.

Phoenix's wharf activities traded at a loss of £112,000 in the second half. Phoenix said in the forseeable future it could see no prospect of earning a realistic return on its wharf and had therefore decided to close it. The site has been placed on the market and its probable sale this year will be treated as an extraordinary profit.

Three acquisitions were made during tha year to strengthen the company's core activities. Phoenix claimed these acquisitions made a satisfactory contribution to profits.

Turnover for the group was 32 per cent higher at £64.03m (£48.55m) and operating profits showed a 36 per cent improvement to £3.3m (£2.43m).

A final dividend of 1.65p is recommended, bringing payments for the year to 2.75p (2.5p). Earnings per share grew slightly to 10.2p (10.1p). A tax credit of £34,000 compared with a payment of £122,000 in the previous year.

Sharaholders funds increased to £15.4m (£11.1m). This figure included a surplus of £4.6m after the group's properties were revalued at the year end. Following the revaluation, gearing stood at 81.5 per cent but proceeds from the sale of the wharf site will be used to reduce this level.

Mr Quinn said it would be unwise to make any comment about future progress given the uncertain future of the building indnstry, bnt he added that the company was taking action to improve its own performance.

Hanover Druce up 18% to £2.14m

HANOVER DRUCE's non-residential activit ies remained sufficiently buoy ant for it to report an 18 per cent increase in pre-tax prof its for the year to February 28.

The company, which bas interests ranging from estate agency to financial servi ces, made taxable profits of £2.14m (£1.81m) achieved on turnover up 28 per cent to £23.06m (£18.09m).

Dr *Isidore Redstone*, chairman, said that the results were particularly satisfactory as they underlined the broad strength of the group's dive rse interests.

This breadth enabled it to replace ths shortfall aris ing from the sudden sharp downturn in the residential market.

He said that the pattern of business in the second half was continuing, with the commercial, professional and hotels and leisure divisions maintaining profitability.

The residential side remained extremely difficult.

Earnings rose to 17.8p (14.3p) per 10p share and the final dividend is a proposed 3.5p (3p) to make 5p (4.35p) for the year. The group's net asset val ue stands at 87p (53p) per share.

James Finlay doubles to £7.3m but holds dividend

A MEASURE of recovery was shown by James Finlay, the international financier and trader, in 1988 with profits being more than doubled to £7.27m, from £3.42m. For the fifth successive year the total dividend is held at 4.15p.

There were improvements in all divisions with the exception of trading, manufacturing and merchanting, and investments. Reorganisation and restructuring has been taking place.

Turnover rose from £156.04m to £184.63m and trading and investment income moved up from £3.03m to £6.71m, after £2.51m written off this year.

In 1983 and 1984 the group made £27.7m and £37.94m pre-tax respectively, with plantations contributing £17.8m and £25.17m.

The only trading area not to show an improvement was North America, where a loss of £637,000 was incurred (profit £802,000). Tha UK and Eire returned to tha black with £1.47m (loss £1.1m), Australasia contributed £1.32m (£608,000), Africa £3.11m (£1.76m) and Asia £2m (£1.06m).

Earnings worked through at 5.2p (3.1p). The proposed final dividend is 2.15p.

Broadwell advances 70%

BROADWELL LAND, the property developer which trades in the London area and came to the USM last June, lifted pre-tax profits by 70 per cent from £4.15m to £7.06m in the year to March 31.

A final dividend of 3.64p is recommended for a total of 5p. Earnings per 50p share advanced to 19.08p (14.35p).

The directors said that in a significant realisation of plans to expand operations beyond London, an important 125-acre site outside York had been acquired for £15m.

Turnover for the year doubled to £33.68m. The pre-tax result was struck after net interest receivable of £96,189 (£15,363 charged). Tax took £2.51m (£1.45m).

Gaynor warns on profits

EXTERNAL FACTORS were blamed for a slight drop in first-half pre-tax profits at Gaynor Group, the USM-quoted plastic bagmanufacturer, from £305,000 to £300,000.

In November, the company warned that increased interest rates would restrict consumer credit and dampen high street demand with an impact on the plastic bag business.

In the event, towards the end of December it became apparent that major customers had been ordering for stock and as the high street recession began to bite, there was a reduction in orders and margins.

Turnover for the six months to February 28 rose to £4.58m (£3.68m), but earnings per 10p share slipped from 3.9p to 3.7p.The interim dividend was held at 1.2p.

COMMODITIES AND AGRICULTURE

Kuwait plans to curb oil production

By Max Wilkinson, Resources Editor

WORLD OIL prices recovered from some early losses in a day of nervous trading yesterday after Kuwait sought to re-assure markets that it would violate the recent Organisation of Petroleum Exporters agreement in a "responsible" manner.

The cartel agreed on Wednesday to lift its production ceiling by 1m barrels per day to 19.5m b/d, allocating the increase in proportion to the previous quotas agreed among the 13 members.

This would have allowed Kuwait to produce 1.09 m b/d, compared with its current prodnction of over 1.7m b/d. Although Knwait signed the agreement, Sheikh Ali Khalifa al Sabah, the country's oil minister included a clause to the effect that he would not be bound by it.

This disappointed oil traders who marked prices down immediately after the meeting, when the United Arab Emirates also made it clear that it was unlikely to curb its persistent over-production, though it also claims to be acting with restraint.

At a press conference yesterday, Sheikh Ali confirmed that his country would stand outside the agreement, but added: "We will use that freedom very very responsibly".

He said Knwait would reduce oil production to 1.35m b/d, adding that he was an anxious as anybody that oil prices should not tumble.

After Opec's failure to reach a binding agreement among all members, the price of light crude for July delivery on the New York Mercantile Exchange fell 80 cents on Wednesday. However the fall was arrested yesterday with the price unchanged at midday et $19.70. In the European Brent crude market yesterday prices continued to decline in early trading, bnt recovered later, ending the day at $17.52½ a barrel compared with $17.70 on Wednesday.

Antimony price rises on worries about supplies

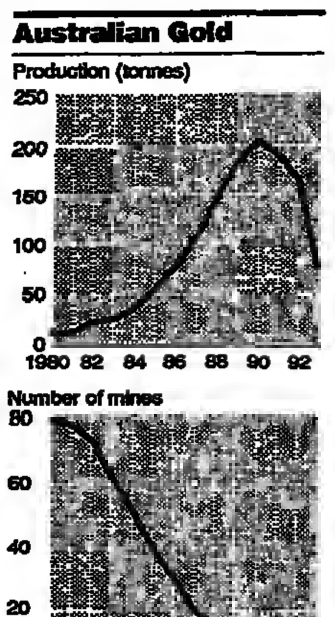
THE PRICE of antimony metal, used with lead in batteries and as a flame retardant in plastics, has jumped by $200 e tonne on the free market this week to a range of $2,050 to $2150 because of nervousness abont supplies from China, traders said.

The price had previously been in steep decline and was at $1,810 at on point last week.

Harder times ahead for Australia's gold diggers

After ten years of spectacular growth the party may soon be over, Kenneth Gooding explains why

AFTER CELEBRATING ten years of spectacular and uninterrnpted growth in output, the Australian gold mining industry now faces the prospect that the boom might fizzle out just as quickly, leaving in its wake dozens of deserted mines, hundreds of failed companies and a string of takeovers as smaller gold miners are gobbled np by larger operations.



The industry is suffering from several short-term headaches, not the least of which is the sharp fall in the gold price. This, and the October 1987 stock markets crash, have virtually eliminated investor interest in gold mining groups.

Small companies which raised cash in the heady days of the bull market are now running out of money and have nowhere to turn for more. Interest rates in Australia make the cost of borrowing prohibitive.

It is also becoming more difficult and more expensive to extract Australian gold. Miners are having to dig deeper and into harder rock.

There is an additional factor which is massively distorting gold mining in Australia – in 1991 the industry will lose its exemption from paying corporation tax. This has triggered a frantic pace of development as miners try to get out as much gold as possible before the tax is imposed.

Hective activity has been a feature of the Australian gold mining industry since the early 1980s. At that time it was an insignificant producer of gold in world terms. Then the gold price boom of 1979 became the catalyst for unprecedented exploration activity and expenditure by Australian and international mining companies.

Just as importantly, new gold extraction technology, involving the use of carbon pellets to remove gold from solution, brought a new dimension to the economics of gold mining.

By 1983 old gold mine workings, previously regarded as too marginal in terms of size, quality or cost, were being processed by miners employing the so-called carbon-in-pulp technology and open-cut methods.

The new gold rush culminated last year with Australian output jumping to 152 tonnes, easily surpassing the previous record of 119 tonnes which had stood since 1908.

Australia has moved to third place among the non-communist world's gold producers, behind South Africa, with 621 tonnes, and the US, with 205.3 tonnes.

Mr Dick Dodson of Australia's Bureau of Federal Resources, estimates that gold production will rise again this year to 202 tonnes and then peak at about 220 tonnes in 1990-91.

This forecast assumes that about 40 new mines will come into production but that 130 of the 170 mines now operating will close because they are exhausted.

The bureau's agrees that there will be a very sharp fall in gold production after 1991 but says it "is unlikely to drop below 80 tonnes a year."

The main reason for the continued rise in Australia's gold output is that many companies are now mining the highest grades of ore – those with most easily-extracted gold – to beat the imposition of corporation tax at 39 per cent. They want to build up profits while tax exemption remains in force.

For example, at Paragon Resources' Tamora mine, the general manager, Mr John Caithness, admits that, as an accountant, "I would never have been appointed general manager of a base metal mine."

He is making sure Tamora will build a big stockpile of ore before 1990 so that, from then on, the mine will have very expensive ore for tax purposes to keep down its corporation tax bill. The stocks will be valued at market price.

There are other examples of the impact of the threatened tax.

Kidston Gold Mines is to increase cut-off grades of its ore deposit so as to increase gold production before the tax is implemented.

BHP Gold has cut more than A$6m from its $36m exploration and development budget.

Western Mining has deferred several gold projects because of "unattractive economics."

All this is bad news for Australia. To start with so-called "high-grading" – removing the best-quality ore first – is inconsistent with getting the best out of any type of mine. Once the better grades are removed the marginal operating costs for the remaining reserves increases dramatically and can lead to premature closure.

Mr Lauchlin McIntosh, executive director of the Australian Mining Industry Council, suggests that "you can't effectively high-grade a big mine." But he says: "No doubt (the imposition of corporation tax) will result in some gold which otherwise would have been recovered being left in the ground. It is a disincentive to exploration and development of new mines."

There seems no doubt that the tax will kill off some of the high-cost mines. It has been estimated by the industry that, if the tax is to be regarded as another cost of production, at least 20 per cent of existing reserves will become uneconomic.

Mr Neil Herriman, CRA's exploration director, reckons there are other reasons for the current comparative lack of interest in gold exploration. He believes future levels of exploration ectivity will fall to a low point in the mid-1990s because of the loss of speculative interest in gold mining shares, the impact of production from recent discoveries and the low gold price.

"The exploration industry will undergo a period of rationalisation, with many companies falling by the wayside," he says.

Industry estimates suggest as many as 200 small gold mining companies are likely to go out of business.

But it is not just the small companies which have been suffering from the combined impact of a steeply falling US dollar price for gold and a strong Australian currency.

Mr Geoff Stokes, chairman of Mawson Pacific brings the impact into sharp focus. "The price of gold is down A$230 an ounce in the past year and that for us means a loss of A$42m of income on our 160,000 ounces of gold," he points out.

The burden has been eased for many companies, however, because they have forward sales programmes – a form of insurance pioneered by the Australian industry. These forward sales have locked in very high rates of profitability and made some companies' outpnt impervious to the vagaries of the market price of gold.

However, the cost of getting gold out of the ground is rising fast. According to Consolidated Gold Fields' latest gold market review, the average cash operating costs of Australia's mines rose from US$212 an ounce in 1987 to $238 last year.

This is because many producers started by treating the softer and more amenable oxide ores. The mines have now deepened and the unweathered and harder sulphide ores have become exposed. This not only pushes np working costs – some mines are experiencing cost increases of up to 20 per cent because they must use more drill and blast techniques in the harder ores – but sulphide ores need a great deal of additional processing to liberate the gold.

Consequently, according to Mr Peter Walker, managing director of Dominion Mining, in the next 10 years the Australian industry will be driven much more strongly by costs than in the 1980s.

"The increase in mining and processing complexity will have an inflationary effect on the cost structure which will only be mitigated by technical improvements. Only those companies with very good technical depth and breadth will be equipped to handle these problems and it will be much more difficult for new companies to join the ranks of producers," he says.

Many Australian gold mines have reached the stage where they must go underground or close down but Mr Walker believes the trend will develop more slowly than generally expected because of the technical difficulties – and because of the problems of finding qualified employees.

In spite of its problems, it is not all gloom in the industry – otherwise why would there be so many international gold mining groups searching for bargains in Australia?

Mr Chris Lalor, an executive director of Gwalia Resources, sums up for the optimists: "Australia is still the place for gold miners to be, particularly Western Australia. We have the climate, the accessibility and political stability."

Brazil in fresh move on sugar export policy

By John Barham in Sao Paulo

BRAZIL THIS week changed its sugar export policy for the second time in 10 days. Congress has now approved a government proposal allowing only the private sector to export sugar, ending the 35-year export monopoly enjoyed by the Government's Sugar and Alcohol Institute (IAA).

Export privatisation was to have been introduced in June last year, but was postponed for twelve months. This year's deadline was extended at the end of May for a further four months. However, Congress surprised the sugar industry by approving e government privatisation proposal half an hour before it lapsed at midnight on Tuesday.

The new legislation must still be complemented with enabling regulations detailing how the export system will function. A working group of government and industry representatives began talks yesterday on the new regulations. The meetings are scheduled to end on June 13.

In the meantime, the confusion that the constant backtracking and indecision over the export question has caused shows no sign of abating. Some exporters, anxious to make the most of an extremely buoyant market, have rushed to sign sales contracts with trading houses before the new regulations come into force.

The regulations will probably include some provision for an export tax to provide funds for a buffer stock that will iron out price fluctuations. In the past, the IAA would use Treasury subsidies to cover producers' losses at times of low prices.

Bougainville mine attacked

REBELS HAVE destroyed a water pumping station at the Bougainville copper mine in Papua New Guinea, less than 24 hours after the PNG Government ordered a military offensive against them, reports Reuter from Port Moresby.

Mr Bob Cornelius, Bougainville's managing director, said the station's loss would curb output by about 10 per cent once the mine reopened. Violent attacks from rebel landowners forced it to close on May 15 and reschedule copper concentrate shipments.

Bougainville prodnced 552,000 tonnes of copper concentrate in 1988.

Mr Rabbie Namaliu, the PNG Prime Minister, in a national radio broadcast said rebel leader Mr Francis Ona had failed to respond to a 15-day truce offered by government forces and that an all-out military operation would be launched.

India plans oilseeds boost

By K.K. Sharma in New Delhi

INDIA'S MINISTRY of Agriculture has drawn up plans to increase production of oilseeds in 1989-90 to a record 18m tonnes as part of the Government's efforts to conserve foreign exchange by reducing imports.

If the target is achieved, imports of cooking oil – an essential item in all Indian homes where mostly fried food is consumed – will be cut by more than half the Rs5bn (£195m) worth of palm oil imports, bought mainly from Malaysia.

Officials say the country is now a net exporter of oilseeds and cooking oil, with imports in 1988-89 having been outweighed by the export of Rs6bn worth of groundnut extractions and related oilseeds-based items.

Thus, for the first time in a decade, the oilseeds sector will contribute to India's foreign exchange reserves rather than be heavy drain on them as it has been since cooking oil shortages ten years ago made heavy imports necessary.

It is hoped that the position will improve significantly this year.

The dramatic change in the Indian oilseeds picture is the result of not just the good monsoon last year – which are expected to be repeated this year – but also an integrated policy formulated to take into account the interests of farmers, traders and consumers.

A special mission on oilseeds, headed by Mr Sam Pitroda, adviser to the Prime Minister, has supervised implementation of this programme for the last three years. Its main ingredient is a Rs650m annual production programme to assist farmers to increase output by providing them with better technology, subsidised inputs and equipment.

Co-operatives in six States, particularly the western state of Gujarat, which is the centre of groundnut production, have been buying oilseeds and cooking oil after the harvest to ensure that farmers get prices that are at least Rs100 a quintal more than the minimum support price of Rs 450 a quintal. This is a major incentive to grow more.

The Government is now operating a buffer stock of cooking oil, built up through purchases from farmers as well as imports, to ensure that shortages do not arise and also that cheap oil is available to consumers through ration shops.

Hopes are that imports for the buffer stock will not be necessary in a couple of years if plans to make the country self-sufficent are successful.

Coffee talks make little progress

By David Blackwell

TALKS ON the future of the International Coffee Agreement made little progress yesterday, following a procedural protest by the US delegation on Wednesday night.

Yesterday the US delegates returned to the producer/consumer negotiating group. They had walked out after a dispute over the number of delegates they were allowed to have on the group.

Today – the last day of the talks – the full International Coffee Organisation Council meets in a last effort to bridge the gap between consumers and producers. The current coffee agreement expires at the end of September.

The negotiating group was yesterday evening looking at proposals from both sides, which envisage an extension of the agreement. Further talks on the main areas under dispute would follow in September at the annual ICO meeting.

Two issues have particularly npset consumers – the so-called two-tier market and the availability of top quality arabica coffee.

Under the two-tier market, producers have sold coffee to countries outside the agreement at discounts up to 50 per cent. The cheap coffee has been mainly arabica. ICO consumers have been restricted in the amount of arabica they can import by the export quota system through which the ICO aims to stabilise prices.

Cocoa soars on talk of Ivory Coast deal

By David Blackwell

COCOA PRICES soared in London yesterday morning on market talk that Philipp Brothers, the big US trade house, had bought 280,000 tonnes of cocoa from the Ivory Coast, the world's biggest producer.

The second position contract on the London Futures and Options Exchange (Fox) soon rose the limit of £40 a tonne and the market was closed for 15 minutes. Once reopened the price touched £875 a tonne in panic shortcovering before retreating to close at £827 a tonne, a rise of £35 on the day.

Phibro, which would make no comment on the market talk, was believed to have telephoned several big buyers to say it had the cocoa. The US company is also thought to have an option to buy up to 500,000 tonnes of the next Ivory Coast crop.

At the end of last month cocoa prices were lifted by rumours of a deal between Phibro and the Ivory Coast.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LEAD market yesterday continued to respond to bullish fundamentals, particularly the unexpected strength of demand for car batteries. The three month's position on the London Metal Exchange was traded at £416 a tonne at one stage before closing at £407.25 a tonne, the highest level for nearly two years. But with nearby supply tightness easing the cash position fell £12 to £432.50 a tonne. The copper market continued its tentative rally, meanwhile, with the cash price gaining £33 to £1,604 e tonne. Dealers cited increased merchant demand, which they said had prompted widespread shortcovering. Other LME base metals moved lower, with cash high grade zinc closing $12.50 down et $1,510 a tonne, cash aluminium $47.50 down at $1,937.50 a tonne and cash nickel $125 down at $12,775 e tonne.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.60v	-.225
Brent Blend	$17.50-7.55v	-.175
W.T.I. (1 pm est)	$19.85-9.90v	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	-8
Gas Oil	$142-143	-8
Heavy Fuel Oil	$89-91	-1.5
Naphtha	$180-182	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$374.5	-0.5
Silver (per troy oz)♣	547c	+7
Platinum (per troy oz)	$502.75	-3.50
Palladium (per troy oz)	$155.50	-0.15
Aluminium (free market)	$1915	-70
Copper (US Producer)	111⅞-115c	+1⅛
Lead (US Producer)	37.25c	
Nickel (free market)	585c	-5
Tin (European free market)	$10807.5	+72.5
Tin (Kuala Lumpur market)	27.37r	+0.18
Tin (New York)	473.25c	+2.75
Zinc (US Prime Western)	89⅛c	
Cattle (live weight)†	125.00p	+1.80*
Sheep (dead weight)†	255.02p	-4.67*
Pigs (live weight)†	92.01p	+5.59*
London daily sugar (raw)	$285.2u	+3.8
London daily sugar (white)	$353.5u	+2.5
Tate and Lyle export price	£293.0	+2.5
Barley (English feed)	£104.5w	+0.5
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£129.5u	-0.5
Rubber (spot)♥	57.00p	
Rubber (Jul)♥	62.50p	-0.25
Rubber (Aug)♥	63.00p	
Rubber (KL RSS No 1 Jul)	256m	-5
Coconut oil (Philippines)§	$570u	
Palm Oil (Malaysian)§	$385	-10
Copra (Philippines)§	$355	
Soyabeans (US)	£196	
Cotton "A" Index	75.75	-0.25
Wooltops (64s Super)	620p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/Aug. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	810	771	845 775
Sep	827	792	865 820
Dec	880	848	891 875
Mar	882	852	890 875
May	885	856	891 876
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]

COFFEE £/tonne; SUGAR ($ per tonne); CRUDE OIL $/barrel; GAS OIL $/tonne; POTATOES £/tonne; SOYABEAN MEAL £/tonne; FREIGHT FUTURES $10/index point; GRAINS £/tonne; PIGS (Cash Settlement) p/kg — [illegible]

FRUIT AND VEGETABLES — [illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,025 tonne
Cash	1935-40	1980-90	1910	1906-12		
3 months	1877-80	1915-20	1930/1898	1861-2	1866-90	34,813 lots
Copper, Grade A (£ per tonne)						Ring turnover 80,500 tonne

Further LME sections (Lead, Nickel, Tin, Zinc, Special High Grade, Zinc), LONDON BULLION MARKET, LONDON METAL EXCHANGE TRADED OPTIONS, LONDON FOX TRADED OPTIONS — [illegible]

US MARKETS

IN THE METALS, gold was again lower from continued profit taking after Tuesday's $12 advance, reports Drexel Burnham Lambert. Silver prices slipped after resistance levels could not be broken through. Fresh short selling weakened the platinum. News of Japanese selling overnight also put pressure on the market. Trade buying lifted the copper. In the grains, soyabeans gained slightly from mostly local activity. Spread trading continues to keep the market intact. Wheat and corn futures were quiet. The soft commodities all rallied sharply led by a 54 point advance in the July cocoa. A major purchase of Ivory Coast cocoa was noted. Sugar futures gained support from a strong London market. Coffee was slow as many await news from the meetings. The livestocks closed mixed after lackluster trading. Cotton futures were higher after Wednesday's choppy session. The energy complex featured sideways action as OPEC news is still directing the market.

New York

GOLD 100 troy oz.; $/troy oz.; PLATINUM 50 troy oz; $/troy oz.; SILVER 5,000 troy oz; cents/troy oz.; INDICES — [illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	111.35	108.85	111.40	111.40
Jul	112.15	109.65	113.20	109.50
Aug	111.15	109.05	0	0
Sep	110.15	108.40	111.20	108.30

CRUDE OIL (Light) 42,000 US galls $/barrel; HEATING OIL 42,000 US galls, cents/US galls; COCOA 10 tonnes; $/tonnes; COFFEE "C" 37,500lbs; cents/lbs; SUGAR WORLD "11" 112,000 lbs; cents/lbs; COTTON 50,000; cents/lbs; ORANGE JUICE 15,000 lbs; cents/lbs — [illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	714/0	711/0	720/4	712/4
Aug	680/4	695/4	690/0	680/0

SOYABEAN OIL 60,000 lbs; cents/lb; SOYABEAN MEAL 100 tons; $/ton; MAIZE 5,000 bu min; cents/56lb bushel; WHEAT 5,000 bu min; cents/60lb-bushel; LIVE CATTLE 40,000 lbs; cents/lbs; LIVE HOGS 30,000 lb; cents/lbs; PORK BELLIES 40,000 lbs; cents/lb — [illegible]

LONDON STOCK EXCHANGE

Overseas buyers pursue UK equities

AMERICAN AND Japanese buyers caught London equity market makers on the wrong foot yesterday, inspiring a substantial if somewhat selective upswing in share prices. The sudden return to an optimistic investment mood, reflecting the easing in Federal Reserve credit policy and a slackening in tensions over sterling, set the scene for several large-scale corporate moves; the most outstanding was the sale by Hanson of its 5.2per cent stake in Midland Banking.

UK investment funds, still heavy with cash, took the hint and began to follow overseas buyers into the domestic market. Market makers, who kept trading books closely balanced during last week's shakeout in the London equity market, found themselves badly short of stock.

The initial mark-up saw the FT-SE Index comfortably through 2,130, one of the important staging posts lost a week ago. The market rose by nearly 37 FT-SE points to touch 2,154.5 at best before giving back more than a third of the gain in later dealings. The FT-SE Index closed at 2,143.4, a gain of 25.5 on the day.

Turnover jumped sharply, with Seaq volume of 782.3m the highest daily figure recorded since the market moved above FT-SE 2,200 in mid-May.

However, yesterday's total was boosted by substantial turnover in a handful of special stocks, including Gateway (180m shares), as the Isoceles bid approached consummation, Rolls-Royce (34m) following a large share placing, BAT (19m), British Gas (20m) and Midland 85m. Outside these special situations, turnover was often modest.

There were buyers for some of the best-known names in the UK market, especially those with consumer brand names. Good trading results from Boots, the retail chemists, encouraged store issues, while British Gas, a long-standing favourite with Japanese investors, advanced in heavy trading after its dividend statement. Prominent in the list of active features were the two Racal companies, Beecham and Cadbury-Schweppes.

Transatlantic interest in London stocks, sparked off by the bid moves in the US cellular telephone industry, was featured by heavy business in BAT Industries in New York overnight, as US analysts vied to value BAT as a break-up target. Shares in the multinational tobacco and consumer group opened strongly in London as the US arbitrageurs covered their New York positions.

As the dust settled, analysts commented that worries over domestic interest rates have lifted somewhat as Mr Lawson, the UK Chancellor, reaffirmed the Government's anti-inflation stance. In addition, London is watching US markets closely for any further sign of easing by the Federal reserve following publication today of US producer price statistics.

Account Dealing Dates

*First Dealings:		
May 22	Jun 5	Jun 19
Option Declarations:		
Jun 1	Jun 15	Jun 29
Last Dealings:		
Jun 2	Jun 16	Jun 30
Account Day:		
Jun 12	Jun 26	Jul 10

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Jun 8	Jun 7	Jun 6	Jun 5	Jun 2	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.96	84.59	84.43	84.43	84.61	89.80	89.29 (8/2)	84.43 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.36	95.98	96.14♣	96.25	96.23	96.08	99.59 (15/3)	95.36 (8/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1773.0	1758.2	1753.0	1737.0	1745.5	1483.7	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.2	190.1	180.7	175.5	171.4	228.5	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	4.55	4.53	4.54	4.58	4.56	4.82
Earning Yld %(full)	11.01	10.97	10.99	11.10	11.04	11.80
P/E Ratio(Net)(☆)	11.00	11.04	11.02	10.91	10.97	10.51
SEAQ Bargains(5pm)	26,312	24,857	24,895	24,556	31,561	27,359
Equity Turnover(£m)†	-	1900.86	1148.78	1210.90	1633.45	1101.56
Equity Bargains†	-	28,936	27,360	28,611	33,112	28,930
Shares Traded (ml)†	-	465.6	456.3	426.0	611.1	446.1

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1767.5	1775.6	1776.3	1778.2	1778.2	1779.9	1776.7	1771.6

DAY'S HIGH 1780.5 DAY'S LOW 1767.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.91 †Excluding intra-market business. ♣ corrected figure.

● S.E. ACTIVITY

Indices	Jun 7	Jun 6
Gilt Edged Bargains	92.6	95.6
Equity Bargains	187.5	177.3
Equity Value	2629.0	2321.9
5-Day average		
Gilt Edged Bargains	105.7	112.4
Equity Bargains	191.6	190.0
Equity Value	2717.7	2834.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,400	170	-2	Cookson	687	332½	+4½	Laporte	400	444	+10	Royal Bk of Scotland	305	305	+7
Allied-Lyons	1,600	431	-1	Courtaulds	1,500	336½	+4½	Legal & General	631	315½	+1½	Royal Insurance	399	393	+3
Amstrad	7,700	83½	-9½	Dalgety	291	354	-1	Lloyds Bank	6,800	354	+5	STC	1,400	345	
Argyll Group	4,600	204	+1	Dixons	3,400	153	+7	LASMO	1,700	466	+5	Saatchi & Saatchi	441	314	+5
Ass. Brit. Foods	5	363	+1	Eng. China Clays	509	459		Lonrho	391	271	+1	Sainsbury	1,600	247	+1
BAA	847	359	+4	Enterprise Oil	297	537	+1	Lucas	644	631	+8	Scott & Newcastle	639	313	-2
BAT Inds.	19,000	636	+32	FKI Babcock	3,900	167	-3	MB Group	551	280	+1	Sears	4,800	119	-1
BET	1,100	282	+4	Fisons	1,500	305	+2	MEPC	1,000	576	+5	Shell Transport	4,200	423	+4½
BICC	562	515	-1	Gateway Corp.	178,25	230½	+3	Marks & Spencer	2,300	187	+2	Siebe	400	505	+4
BOC	1,500	476	+2½	General Accident	304	939	+4	Maxwell Comm.	2,900	184	-3	Slough Ests.	82	317	+2
BPB Inds.	1,000	239½	+1½	General Elect.	4,800	241	+1	Midland Bank	84,976	363	+18	Smith & Nephew	3,800	134½	+2½
BTR	2,100	375	+10	Glaxo	814	1355	+5	Nat. West. Bank	1,700	508	+9	Smiths Industries	458	315	+7
Barclays	2,500	453	+4	Globe Inv.	453	177	+1	Next	83	145	+1	Standard Chartered	1,000	528	+14
Bass	385	958	+8	Glynwed Int.	1,100	298	+3	Northern Foods	187	305	+2	Storehouse	516	154	-1
Beecham	2,400	619	+8	Granada	1,700	343	+6	Pearl	382	447	-1	Sun Alliance	171	1180	+9
Blue Circle	1,500	570	+7	Grand Met.	2,700	539		Pearson	274	707	+12	T&N	921	236	+2
Boots	7,900	296	+9	GUS A	140	1025		P & O	613	658	+6	TSB	3,000	186	+1
Brit. & Comm.	362	178	+1	GRE	2,800	199½	+½	Pilkington	2,300	227	+1	Tarmac	3,000	325	+3
Brit. Aerospace	2,100	687	-3	GKN	502	376		Plessey	154	261	-1	Tate & Lyle	1,100	259	+4
British Airways	546	195	+2	Guinness	1,800	494	+4	Polly Peck Intl.	2,200	272	-1	Taylor Woodrow	65	647	
British Gas	20,000	184½	+4½	Hammerson "A"	8	792	+6	Prudential	3,100	180	+½	Tesco	931	180½	+1½
British Land	927	359	+2	Hanson	12,000	199½	+2	RHM	304	439	-1	THORN EMI	1,600	718	-2
BP	8,000	289½	+2	Harrisons & Cros.	816	169	+2½	RMC	373	759	+15	Trafalgar House	285	362	
British Steel	8,500	88½		Hawker Siddeley	539	720	+12	RTZ	2,200	506	+7	Trusthouse Forte	1,900	321	
British Telecom	19,000	269	+8¼	Hillsdown Hldgs.	2,400	278	+1	Racal	7,200	565	+7	Ultramar	1,300	299½	+1
Burmah Oil	1,500	589	+12	IMI	287	230	+1	Rank Org.	350	947	+8	Unilever	1,000	554	+9
Burton	640	218	+1	Imp. Chem.	1,100	1247	+2	Reckitt & Colman	491	1248	+21	United Biscuits	1,300	339	-4
Cable & Wireless	3,600	469	+9	Inchcape	881	258	-1	Redland	1,100	591	+8	Utd. Newspapers	831	447	+11
Cadbury Schweppes	1,900	356	+2	Jaguar	3,000	362	+12	Reed International	3,400	402	+15	Wellcome	1,500	431	-1
Carlton Comms.	499	857	+7	Kingfisher	379	302	+2	Reuters	1,100	782	-1	Whitbread "A"	2,700	360	+11
Commercial Union	894	372	+9	Ladbroke	1,050	387		Rolls Royce	34,098	194		Williams Hldgs.	104	258	+3
Cons. Gold Fields	1,600	1258	+40	Land Securities	19,900	576	+6	Rothmans	564	534	+15	Wimpey	1,500	281	+2

Gateway battle hots up

Trading in food retailer Gateway exploded just after 3 o'clock. More than 1m shares a second were traded during a hectic half minute and dealing continued at breakneck pace until the close by which time Seaq showed that 180m shares had changed hands. The price closed at the day's high of 311p, a net improvement of 3. The consensus was that Panmure Gordon had done the buying on behalf of Isoceles, the consortium bidding for Gateway.

Mr John Woolman, analyst at Citicorp Scrimgeour Vickers, estimated that Isoceles now has more than 30 per cent of Gateway. A condition of purchase was that the stock would be delivered by Monday - Tuesday is the last day for a revised offer and the next time that Isoceles reveals how many acceptances it has. A further tactical twist was that today is the first day that those who have accepted ths 210p offer can reverse their position.

"Because they have already made a bid there is nothing to stop Isoceles continuing to buy in the market – provided they buy at below the 210p cash value of their offer, said Mr Woolman. It looks all over bar the shouting."

However, another analyst close to the company said that thers was "a significant chance" of a white knight stepping in. He noted that Gateway had revealed earlier in the week that it was "in discussion with interested parties,

Hanson sells stake

A sedate early performance from Midland Bank shares gave way to a sudden mid-session burst of activity which saw large numbers of Midland stock – in parcels of 9m shares – moving through the Seaq ticker. It quickly transpired that a big stake, some 5.2 per cent of the company or 38.5m shares had been crossed by Hoare Govett. The stake was later revealed as having come from Hanson, the UK conglomerate.

Midland Bank shares initially rocketed as news of the trades became known in the market. Stories that the shares had gone to Hongkong & Shanghai Banking caused a rush of buying which lifted Midland shares to 390p bid at one point with share price backwardations appearing as the price gyrated.

Talk in the market was that the Hong Kong bank had moved to up its stake as a prelude to a full bid; it already holds a 14.9 per cent stake in Midland but has agreed not to increase this until 1990. UK banking laws also prevent Hongkong Banking from increasing its stake above 15 per cent without permission.

A more sober appraisal of the situation quickly saw Midland shares sold off and eventually settle at 363p, a net gain of 18, with turnover settling at 85m shares. Mr Christopher Wheeler, banks analyst at Shearson Lehman Hutton, said he believed the 5.2 per cent stake had been bought by the Kuwait Investment Office at a price of around 360p a share "purely as an investment and increasing the KIO stake to around 10 per cent." He said the deal "did little for Midland shares in the short term."

BAT speculation

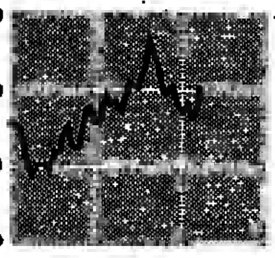
Renewed, and increasingly powerful US demand for BAT Industries saw the shares racing ahead to bring the gain over the past fortnight to £1 at yesterday's best level.

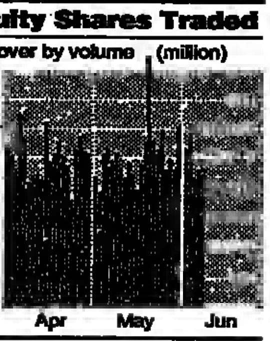
After touching 644p the price settled back to close at 636p, a net improvement on the day of 32. Turnover was 19m shares – exceptionally busy for the stock.

"The prime force is strong American buying of the ADRs," explained Mr Mark Duffy of Warburg Securities. "That prompted speculative buying in the UK and substantial intramarket trade as marketmakers took np positions ahead of Wall Street's opening." Two other dealers added that BATS had now broken two key chart points – $10 in the US and £7 in London – and had plenty of upside left.

The Americans are excited because US cigarette prices are rising in the US and the likelihood of liability litigation is falling, according to a presentation to UK analysts by Phillip Morris. "Tobacco manufacturers seem to be having it their own way," commented Mr Paul Burke of Kleinwort Benson.

There were further suggestions in the market that Hanson might bid for BATS – break-up values of between £9 and £12.50 a share have been mentioned. But most dealers played down the suggestion. "Why should Hanson get involved in a California insurance company they'll never sell?" asked one, referring to BATS' recent acquisition of Farmers Group.





High speed gas

British Gas shares extended their recent good performance after much better than expected preliminary figures and a very bullish post-results meeting with energy sector analysts. Net income on an historic cost basis came out at £896m, at the top end of market anticipations, while the dividend met most expectations.

A subsequent wave of buy recommendatious and upgraded profits forecasts was said to have boosted gas shares, which ended the day a net 4½ up at 184½p, after 187p. Turnover totalled 20m shares.

Among the big bulls of the shares, Mr Philip Lambert of Kleinwort Benson upgraded his forecast of net income for the current year to £1.17bn, or earnings per share of 27.7p. Mr Arthur Hepher at Citicorp also moved his forecast up to the £1.17bn level, and lifted his dividend forecast to 10.5p; "We rate the shares a strong buy on a fundamental revaluation of prospects," he said. Mr Stephen Turner at Smith New Court moved to £1bn-plus and said the company was looking at "very good earnings momentum".

Amstrad dip late

Amstrad, the electronics group, came in for a welter of selling late in the session. The shares ended 9½ down at a year's low of 83½p on turnover of 7.7m after a profits downgrading by Mr Nick Measham at UBS Phillips & Drew.

Mr Measham is sticking with his current year forecast of pre-tax profits of £100m but has drastically cut his forecast for next year from £95m to £75m.

Responding to news of the UBS downgrading, Mr Alan Sugar, Amstrad chairman said: "I've got enough aggravation without worrying about that; the trouble with analysts is that they have nothing to do during the day." He continued: "We've told people we've had problems with our PC2000 series and been frank with our own investors; they are entitled to their own opinions." He concluded: "Nothing has happened as far as I am concerned."

Wellcome was hit by a news agency report that a small Japanese pharmacentical company, Teijin, "had developed a human monoclonal antibody" suggesting that this might eventually lead to a cure for Aids. The stock slipped from the day's high of 436p to close a net penny down on the day at 431p. However the pharmaceutical team at Nomura said that the story should not affect Wellcome. "All Aids patients have these antibodies anyway," they said. "This approach will not lead to Aids treatments that will compete with Retrovir (Wellcome's Aids drug)."

Confirmation of the big staff reductions and reorganisation at Standard Chartered saw the latter's shares strongly supported and finally 14 higher at 528p, after 535p, on turnover of 1m. Mr Ian Shelley, banks analyst at WI Carr said the City was gratified to see firm control of the bank by the new chairman, Mr Rodney Galpin. Mr Shelley said "The shares are well underpinned by the dividend."

Insurances showed Britannic outstanding and finally 31 higher at 429p after a bullish note from Mr John Marr, insurance analyst at Charterhouse Tilney, who said the insurance group had achieved phenomenal success in its personal pensions business by picking up around 5 per cent of that market.

Thee was a knock on effect in other lifes with Refuge adding 23 to 485p. Sun Life jumped 30 to 948p.

Institutional investors aware of the share's recent underperformance returned for Whitbread "A", which settled 11 up at 360p. Turnover of 2.7m shares was the best for some time.

Hawker Siddeley (720p up 12), Dowty (283p up 5) and Lucas (631p up 8) continued to benefit from hopes of aerospace orders at the Paris Airshow. The real thing – US orders and options worth $500m - helped British Aerospace break the £7 barrier, but profit-takers moved in and the stock fell back to close at 687p.

A large block of Rolls Royce shares, said to be 16m, was smoothly placed in the market by Smith New Court. The price edged back from the day's peak of 198p to close unchanged at 194p in 34m turnover.

Rotork climbed 10 to 170p because, said a marketmaker, a technology company had taken a 2.2 per cent stake.

A 19.1 per cent improvement in full year profits from Boots boosted the shares 9 to 296p. Turnover was a busy 7.9m shares.

Securicor Group and Security Services, which own 40 per cent of UK cellular radio operator Cellnet between them, continued to benefit from Wednesday's $6½bn US bid in the sector. They climbed 30 to 1055p and 17 to 830p respectively. British Telecom added 8¼ at 269p on similar sentiment. Turnover was 19m shares.

A 22 per cent slide in six month profits at advertising agency VPI left the shares 17 off at 121p.

Europe brushed aside potential US buyers and invested heavily yesterday in shares of Jaguar, the luxury UK car manufacturer. Ons dealsr reported avid French interest which forced the price to the highest level of the year of 362p, up 10, arousing speculation of stake-building by a rival Continental car maker. The market's initial favourites have been Volvo and Porsche, but Peugeot has now been added to the list.

Resd International rebounded strongly to 402p, for a gain of 15, as the group pushed to convert the market to its long-term strategy following Wednesday's figures which covered a year of transition. The response of the financial press was quite favourable and support was generated by quotes snch as "if earnings move decisively off their plateau in 1990/91, the shares are cheap; if not, it will surely be worth someone's while to put such desirable publishing assets to better use." Some professional operators were caught on the wrong foot, leading to extensive early short-covering.

Other publishers went higher. United Newspapers closed 11 higher at 447p after announcing a £105m 15-year issue of exchangeable preference shares in international capital markets; the shares are exchangeable for Reuters stock.

Reduced pressures for higher interest rates inflated further a buoyant property sector. Continuing consideration of the current large discounts to asset value attracted fresh investment funds to a host of stocks, although leading stocks were again most prevalent. Some achieved double-figure gains before easing from the best. MEPC ended 10 up at 581p, Land Securities finished 9 higher at 579p and Hammerson "A" 11 dearer at 796p.

Superb annual results – profits were 65 per cent higher and net assets up from £2.25 to £4.00 a share – swept Palmerston Holdings 22 higher to 262p. Hanover Druce rose 8 to 146p and Broadwell Land gained a similar amount to 221p but Randsworth Trust were quieter. After confirmation that Swedish property group Reinhold had increased its stake to 16.9 per cent, the shares improved 3 to 302p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (157).
AMERICANS (30) CANADIANS (6) BANKS (5) BUILDINGS (3) Lafarge Coppee, Marshalls, CHEMICALS (9) STORES (8) Body Shop Int., Moss Bros., ELECTRICALS (7) ENGINEERING (8) FOODS (8) INDUSTRIALS (22) Astra AB, Beapak, Brit. Aerospace, Caparo Inds., Colorgen Inc., Computer People, Dover, Flexello, Handy-Walker, Hornby Group, Lincoln House, Do. Wrnts, Macfarlane, Photo-Me, Reliance Sec., Schlumberger, Securicor "A" N-V, Security Archives, Security Services, Spong Hldgs., Waterman Part., Whatman Reeve, INSURANCE (6) LEISURE (1) Quadrant, MOTORS (2) Cowie (T.), Jaguar, NEWSPAPERS (4) Independent, Intl. Thompson, Mustarlin, News Int. Spec. Div., PAPERS (2) Scott Paper, WCRS, PROPERTY (8) SHIPPING (2) Runciman (W.), Sea Containers, SOUTH AFRICANS (1) Barlow Rand, TOBACCOS (1) BAT Inds., TRUSTS (12) OILS (7) OVERSEAS TRADERS (2) Cons. Afex Corp., GN Gt. Nordic, MINES (12) THIRD MARKET (3) Poddington, Whitegate Leisure, Do. Wrnts.
NEW LOWS (27).
CORPORATION LOANS (1) LCC 3pc '20 Aft., CANADIANS (1) Spiral Eng., BUILDINGS (3) Anglia Sec., Prowting, Travis Perkins, STORES (2) Knobs & Knockers, Usher (Frank), ELECTRICALS (5) Amstrad, Prestwick, Do. 7½pc. Prf., Redamec, Utd Scientific, INDUSTRIALS (7) Apollo Watch Prods., Barlo, Fergebrook, Med. Resch., Metal Closures, Relyon, Wills Grp., PAPERS (2) Filofax, VPI, TRUSTS (3) A.C. Hldgs., Dominion Intl., London Forfaiting, OILS (1) Century, MINES (1) Samson Expln., THIRD MARKET (1) Crown Eyeglass.

APPOINTMENTS

Westbury board posts

■ Mr Tim Hearley, executive chairman of CH Industrials, and Mr David Reid, finance director of Tesco, have been appointed non-executive directors of WESTBURY. Mr David Winch, chairman, retires after the annual meeting on July 6, and will be succeeded by Mr Richard Fraser who continues as chief executive. Westbury Partnership Homes, part of the group, has appointed Mr Dick Holt as managing director; Mr John Paterson as business development director; Mr Jerry Ratcliffe as design director; Mr Martin Ricketts as building services director; and Mr Jim Robinson as finance director.

■ GEORGE WIMPEY has made the following appointments in its minerals division. Mr A.E. Panter becomes managing director of Wimpey Asphalt, retaining his post as managing director of Wimpey Hobbs. Mr John R. Ellis is made director and general manager of Wimpey Hobbs, and a director of Wimpey Asphalt. Mr Mike D. Rushbey, eastern regional director, becomes commercial director, Wimpey Hobbs.

■ Mr Guy R. Guarch has been appointed managing director and vice president of export (northern Europe), of BARD, Crawley.

■ Mr Paul Whelan, Midlands director of Guinnes Mahon Merchant Bank, has been appointed a non-executive director of HUGHES-BRENNAN PUBLISHING CO, Bromsgrove.

■ Mr Raymond C. Sturmer has been appointed general manager of the London branch of AL SAUDI BANQUE, part of the Banque Indosuez Group. He succeeds Mr Daniel Masson, who returns to Banque Indosuez.

■ Jurat Peter Blampied has been appointed chairman of SAVE & PROSPER (JERSEY). He has been a director since 1978, and succeeds Mr W.N. Rumball, who died in April. In addition to his duties as a Jurat of the Royal Court, Mr Blampied is chairman of the Jersey New Waterworks Co, the Jersey Gas Co, and of a number of other Channel Islands companies. He was senior partner of Copers and Lybrand in Jersey.

■ Mr Mike Chapman, general production manager, has been appointed to the board of THE BIRMINGHAM POST & MAIL.

■ BRITISH & COMMONWEALTH MERCHANT BANK has appointed Mr Barry Deeks as assistant director in the property team. He joins from First Interstate.

■ D.C. COOK HOLDINGS has appointed Mr David Callear as group finance director. He was commercial director of CSL Corporation.

Mr Udo Schlentrich *(above)* has been appointed chief executive of STAKIS HOTELS, East Kilbride, in succession to Mr Donald Macdonald, who is giving up his executive duties and directorships while remaining an adviser until the end of November. Mr Schlentrich was president of Classic Hotels.

■ Mr Ian Goldsmith has been appointed managing director, East Anglia, at GOLDLINK SECURITY SERVICES, Ipswich.

■ Mr Raymond Way has become chairman of STALWART ASSURANCE GROUP and its principal operating subsidiary, Stalwart Assurance Co. He was group chief executive of Barrow Hepburn, and is chairman of Pavion International and other companies. He succeeds Mr Charles Wilkinson who remains non-executive director of both companies. Appointed non-executive directors on the group board are: Mr Victor Hughff, recently retired chief general manager of Norwich Union Insurance Group; Mr Richard Arthur, executive director, Scimitar Development Capital; Major General Leonard Bartlett, formerly paymaster-in-chief; and Mr Stephen Dickinson, managing director, Grainger Trust.

■ SCOTTISH WIDOWS INVESTMENT MANAGEMENT has appointed Ms Elizabeth Tuke as a pension fund investment director, and Mr Tony Whalley as an investment manager.

■ SOCIETE GENERALE, London branch, has appointed Mr David Middleton to succeed Mr Jean-Marc Franciscl as assistant general manager, head of commercial banking division. Mr Middleton joins from Bank of America.

■ Mr Gary R. Moore has been appointed a director of BOWRING MARINE & ENERGY.

■ ENTERPRISE OIL has promoted Mr Andrew Shilston, deputy group treasurer, to group treasurer from September 1. He succeeds Mr Justin Welby who is leaving to train for Church of England ordination.

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours, ♦ - 1101 to 1400 hours, ♦ - 1401 to 1700 hours, ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD				01-405 8331		
Growth & Equity	5	62.89	65.58	69.76	-0.6	6.06
European	5	65.73	66.00	70.21	+0.14	0.09
Far Eastern	5	59.00	59.04	62.81	+0.28	0.75
Growth Inc	5	89.08	92.43	98.33	+0.43	1.38
Growth Acc	5	89.08	92.43	98.33	+0.43	1.38
Income Inc	5	85.33	87.26	92.83	+0.69	4.68
Income Acc	5	85.33	87.26	92.83	+0.69	4.68
Property Share	5	54.72	54.72	58.33	+0.42	0.98
Smaller Co's	5	58.32	61.64	65.57	+0.43	1.46
Formerly BBC Trust Managers Ltd						
Nth American	5	64.41	64.41xd	68.88	+0.57	1.55
International	5	47.36	47.36xd	50.65	-0.08	1.42
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY				01-588 0592		
Growth	5	109.99	109.99xd	114.99		3.23
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield				0484 602250		
Yorkshire General	5¼	63.29	65.72xd	69.91	+0.27	2.62
YUTM UK Eqty Inc Tst	5¼	60.11	62.22	66.19	+0.40	4.41
YUTM Intl Gwth Tst	5¼	49.80	49.80	53.14	-0.36	1.05

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	....	-
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ		01-588 1815		
Inv Fund May 31		513.45	----	4.75
Fxd Int Sec May 31		139.45	----	10.25
Deposit May 31		100.00	----	12.45
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ		01-588 1815		
Income May 31		487.57	----	4.90
Accum May 31		1620.94	----	-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American June 7	147.3	151.8	-0.3	1.49
Managed June 7	132.0	137.0	+0.6	2.10
Japan June 8	142.3	146.2	-0.2	0.14
Pacific June 9	409.1	420.9	-53.1	0.24

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL		0793 514514		
Fixed Int. Dep Acc	260.4	274.2	+0.1	-
Equity Acc	851.9	896.8	+8.0	-
Property Acc	493.9	519.4		-
Far East Acc	201.4	212.0	-0.2	-
European Acc	22.7	23.9	+0.1	-
Managed Acc	672.3	707.7	+2.4	-
Managed Cap	381.8	401.9	+4.1	-
O'seas Earnings Acc	557.8	587.2	+2.7	-
Gilt Edged Acc	307.4	323.6	+0.9	-
American Equity Acc	470.7	495.5	+6.0	-
American Man. Acc	218.1	229.6	+2.5	-
American Prop Acc	149.1	157.0	+0.1	-
Pen. F.I. Dep. Cap	287.8	302.2	+0.1	-
Pen. F.I. Dep Acc	491.5	517.4	+0.1	-
Pen. Prop. Cap	580.5	611.1		-
Pen. Prop. Acc	1097.8	1155.3	+0.2	-
Pen. Man. Cap	823.3	866.7	+6.8	-
Pen. Man. Acc	1556.1	1638.0	+13.1	-
Pen. Gilt Edg. Cap	310.6	327.0	+0.9	-
Pen. Gilt Edg. Acc	479.6	504.9	+1.4	-
Pen. Eq. Cap	1351.0	1422.2	+13.7	-
Pen. Eq. Acc	1935.2	2037.1	+19.8	-
Pen. Am. Eq Cap	157.2	165.3	+2.1	-
Pen. Am. Eq Acc	189.8	199.8	+2.6	-
Pen. Far East Cap	239.3	251.9	-0.4	-
Pen. Far East Acc	288.8	304.1	-0.4	-
Pen. Euro Cap	25.6	27.6		-
Pen. Euro. Acc	27.9	29.4	+0.1	-
Pen. B.S. Acc	538.6	565.6	+0.2	-
Pen. B.S. Cap	321.4	339.6	+0.1	-
Pen. D.A.F. Acc	377.3	377.3	+0.1	-
Pen. D.A.F. Cap	254.3	254.3	+0.1	-
Pen. Mortgage Cap	144.9	152.6	+0.1	-
Pen. Mortgage Acc	174.9	184.2	+0.1	-
Boring Funds				
Pen Eqs Cap	28.5	30.1	+0.3	-
Pen Eqs Acc	29.7	31.3	+0.3	-
Pen Am Eq Cap	33.7	35.5	+0.2	-
Pen Am Eq Acc	35.1	37.0	+0.3	-
Pen Far East Cap	30.3	31.9	-0.1	-
Pen Far East Acc	31.5	33.2		-
Pen Euro Cap	35.6	37.5	+0.2	-
Pen Euro Acc	37.0	39.0	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
MGM Assurance(z)				
MGM House, Heene Rd, Worthing			0903 204631	
UK Equity Acc	265.9	279.9	+2.4	-
Special Situations Acc	253.0	266.9	+0.5	-
North American Acc	183.4	193.1	+1.2	-
Pacific Basin Acc	352.4	371.0	-0.9	-
Fixed Interest Acc	257.6	271.1	+0.8	-
Property Acc	205.1	215.9	+0.1	-
Deposit Acc	142.0	149.5	+0.1	-
Managed Acc	257.3	270.9	+0.0	-
Bonus Gwth Fd Acc	112.3	118.3	+0.1	-
Intl Equity Acc	106.3	111.9	+0.7	-

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd – Contd.				
Barings Mgd P'folio	110.6	110.6	...	-
Fidelity Mgd P'folio	110.0	110.0	+0.1	-
GT Mgd P'folio	111.2	111.2	-0.1	-
Gartmore Mgd P'folio	109.6	109.6	+0.3	-
Henderson Mgd P'folio	126.2	126.2	...	-
Mercury Mgd P'folio	118.7	118.7		-
Perpetual Mgd P'folio	117.3	117.3	+0.2	-
Royal Ins Mgd P'folio	111.5	111.5	+0.4	-
MIM Brit Exempt Tst	118.9	118.9	+0.5	-
Equity Screening	103.2	103.2	+0.9	-

[illegible]

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99½	98⅜	Exch.10pc 1989	99½	+⅛	10.05	13.33
99	98	Exch 11pc 1989	99	+⅛	11.09	13.42
98	95⅝	Treas 5pc 1986–89	97	.....	5.11	11.39
99½	98¼	Exch 10¼pcCv '89	98	.....	10.31	11.43
101	99	Treas 13pc 1990‡‡	100	+⅛	12.98	12.74
99	98	Exch 11pc 1990‡‡	98	.....	11.13	12.82
101	99	Exch. 12½pc 1990	99	.....	12.53	12.78
94	91	Treas. 3pc 1990	93	-⅛	3.20	10.46
96	95	Treas 8¼pc 1987–90‡‡	96½	+⅛	8.59	12.57
98	95	Treas. 8pc Cv 1990 ‡‡	95	+⅛	8.35	12.16
98	96	Treas. 10pcCv 1990	97	-⅛	10.30	12.32
91	87	Exch 2½pc 1990	90	+⅛	2.76	9.55
101	99	Treas 11¾pc 1991	99	+⅛	11.81	12.10
92	89	Funding 5¾pc '87–91‡‡	91	+⅛	6.31	11.30
89	86	Treas. 3pc 1991	88	.....	3.38	9.45
100	96	Treas 10pc Cv '91 ‡‡	96½	+⅛	10.36	11.92
101	97	Exch. 11pc 1991	98½	+⅛	11.17	11.74
94	91	Treas 8pc 1991	92	+⅛	8.68	11.67
106	102½	Treas 12¾pc 1992‡‡	103	+⅛	12.37	11.34
99½	96	Treas 10pc 1992	96	+⅛	10.33	11.38
94	91	Treas. 8pc 1992 ‡‡	92	+⅛	8.70	11.36
100	97	Treas 10½pc Cv 1992‡‡	98	+⅛	10.71	11.30
85	82	Treas. 3pc 1992	83	+⅛	3.61	9.64
105	101	Exch. 12¼pc '92	102	+⅛	11.97	11.34
109	105	Exch 13½pc 1992	106	+⅛	12.74	11.24
94	90	Treas 8¼pc 1993	91	+⅛	9.02	11.12
100	96	Treas 10pc 1993‡‡	97	+⅛	10.30	10.94
108	104	Treas 12½pc 1993‡‡	104	+⅛	11.95	11.07
87	84	Funding 6pc 1993‡‡	85	+⅛	7.01	10.24
113	108	Treas 13¾pc 1993‡‡	109	+⅛	12.55	10.96
94	90	Treas. 8½pc 1994	91	+⅛	9.35	10.98
117	112	Treas 14½pc 1994‡‡	113	+⅛	12.78	10.76
113	108	Exch 13½pc 1994	109	+⅛	12.36	10.99

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100¼	96	Treas. 10pc Ln 1994‡‡	97	+⅛	10.32	10.81
110	105	Exch. 12½pc 1994	105	+⅛	11.81	10.99
96	92	Treas 9pc 1994‡‡	92	+⅛	9.69	10.76
108	103	Treas 12pc 1995	104	+⅛	11.52	10.98
79	74½	Exch 3pc Gas 90–95	76½	+⅛	3.92	8.08
101	96	Exch. 10¼pc 1995	97	+⅛	10.54	10.87
113	107	Treas 12¾pc 1995‡‡	108	+⅛	11.73	10.82
119	113	Treas. 14pc '96	114	+⅛	12.28	10.96
97	92	Treas. 9pc 1992–96‡‡	92	+⅛	9.70	10.50

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
59	55	Funding 3½pc '99–04	56	+⅛	[illegible]	0.75
102	95	Conversion 9½pc 2004	96	+⅛	9	9.96
103	95	Conversion 9½pc 2005	96	+⅛	9	9.92
111	103	Exch.10½pc 2005	104	+⅛	10	9.90
125	116	Treas. 12½pc 2003–05	117	+⅛	10	10.13
90	83	Treas. 8pc 2002–06‡‡	84	+⅛	9	9.84
105	98	Conversion 9¾pc 2006	99	+⅛	9	9.83
118	110	Treas. 11¾pc 2003–07	111	+⅛	10	10.15
96	88	Treas 8½pc 2007 ‡‡	89	+⅛	9	9.69
134	124	Treas. 13½pc '04–08	125	+⅛	10	10.06
101	93	Treas. 9pc 2008 ‡‡	94	+⅛	9	9.65
92	84	Treas 8pc 2009	86	+⅛	9	9.56
102	94	Conv 9pc Ln 2011 ‡‡	95	+⅛	9	9.49
68	63	Treas. 5½pc 2008–12‡‡	63	+⅛	[illegible]	9.29
89	83	Treas. 7¾pc 2012–15‡‡	83	+⅛	9	9.44
132	122	Exch. 12pc '13–'17	123½	+⅛	9.71	9.50

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45	41	Consols 4pc	42	+¼	9.54	-
40	37	War Loan 3½pc‡‡	37	+¼	9.44	-
70	60	Conv. 3½pc '61 Aft	65	+¼	5.41	-
41	31	Treas. 3pc '66 Aft	34	+¼	8.86	-
30	26	Consols 2½pc	26	+¼	9.46	-
29½	26	Treas. 2½pc	26	+¼	9.55	-

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
129	124	Treas 2pc IL '90(324.6)	129	+⅛	-	4.60
107	103	Do. 2pc '92‡‡(97.8)	107	+⅛	3.10	4.04
99	94	Do. 2 '94 (102.9)	99	+⅛	3.39	3.91
146	139	Do. 2pc '96(67.9)	148	+⅛	3.38	3.75
124	118	Do 2½pc '01(78.3)	123	+⅛	3.61	3.86
122	115	Do. 2½pc '03(78.8)	120	+⅛	3.67	3.89
125	117	Do. 2pc '06(69.5)	123	+⅛	3.67	3.85
117	110	Do. 2½pc '09(78.8)	115	+⅛	3.66	3.83
123	114	Do. 2½pc '11(74.6)	120	+⅛	3.66	3.81
102	95	Do. 2½pc '13(89.2)	99	+⅛	3.64	3.78
110	101	Do. 2½pc '16(81.6)	107	+⅛	3.60	3.74
108	100	Do. 2½pc '20(83.0)	105	+⅛	3.55	3.67
91	84	Do. 2½pc '24‡‡(97.7)	88	+⅛	3.52	3.63

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1988: 108.4 and for April 1989: 114.3.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	88	+¼	8.24	11.90
206	206	S Rhod 2½pc Non-Asstd.	206	.....	-	
84½	84½	Do. 4½pc 07–92 Asstd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	98	N'wide Anglia 9 26 6 89	99	.....	9.83	14.3
99	98	Do. 10pc 17.7.89	99	.....	10.73	14.0
99	98	Do. 11pc 7.8.89	99	.....	11.13	14.4
99	98	Do. 11pc 29.8.89	99	.....	11.64	14.2
99	99	Do. 12pc 18.9.89	99	.....	12.46	14.2
99	99	Do. 12pc 2.10.89	99	.....	12.41	14.3
99	98	Do. 11pc 6.11.89	98	.....	11.94	14.2
100	98	Do. 12pc 4.12.89	99	.....	12.40	14.2
100	99	Do. 12pc 2.1.90	99	.....	12.93	14.5
100	98	Do. 12pc 29.1.90	98	.....	12.70	14.2
100	98	Do. 12pc 26.2.90	98	.....	12.85	14.4
102	99	Do. 3pcIL Ln 2021	99	+¼	4.38	4.4

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59–89	99	.....	5.05	
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.4

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	48	.....	3.50	18.7
45	40	Do. 6pc 28 Stb. Ass.	40	.....	3	17.5
45	40	Do 4pc Mixed Ass.	48	.....	2	15.0
80	65	Hung. '24 Ass.	80	.....	2.75	13.5
139	129	Hydro Quebec 15pc 2011	130	+⅛	15.00	11.2
128	119	Iceland 14½pc Ln 2016	120	+⅛	14.50	11.9
97	92	Ireland 9¾pc '91–96	92½	+⅛	9.75	11.3

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
38	26	Abbott Laboratories	38	+⅛	$1		2
540p	361p	Allegheny & W 1c	540p	+8			3
16	12	Amax $1	16	+⅛			1
11	6	Ambase Corp $1	0	+⅛			1
14	956p	Amdahl 5c	14	+⅛			0
35	25	Amer. Cyanamid $5	34	+⅛	$1		2
22	14	Amer. Express 60c	22	+⅛			2
14	854p	Amer. Medical Int. $1	14	.....			3
23	15	American T. & T. $1	23	+⅛	$1		3

Continued on next page

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Money Market Trust Funds

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
500p	278p	Cullinet Sftwr Ic	500p	+37	–	–	–
27⅛	21¼	Dana Corp. $1	26⅛xd	+⅛	$1.60	–	3.8
11⅝	854p	Data General	11⅝	.....	–	–	–
36½	28⅝	Dun & Bradstreet $1	36	–⅛	$2.00	–	3.5
41½	30½	Eaton Corpn. 50c	41½xd	+1½	h$2.00	–	3.0
11⅛	8⅞	Echlin Inc	11¼xd	+⅛	70c	–	3.9
20¼	16⅞	FPL Group 1c	19½xd	.....	$2.20	–	7.1
32⅛	27⅜	Ford Motor $1	31¼	–½	$3.00	–	6.1
42⅞	30⅞	GATX 62½c	42⅞	+1⅛	$2.00	–	3.0
35¼	24¼	Gen. Elect. 63c	35¼xd	+⅛	$1.64	–	2.9
567p	484p	♦General Host Corp $1	556p	–3	30c	–	3.4
39⅛	18¼	Gillette $1	25⅞	–⅛	96c	–	2.3
881p	616p	Gt Am First Svgs Bk $1	881p	+31	60c	–	4.3
22⅞	16⅞	Greyhound $1½	22⅞xd	+⅛	$1.32	–	5.7
13⅝	847p	Hasbro Inc 50c	13½	–⅛	16c	–	0.7
		For Home Group see Ambase Corp					
49¼	32¼	Honeywell $1½	48⅞xd	+1⅛	$2.[illegible]	–	2.7
19⅛	15¼	Houston Inds.	19⅛	+⅛	$2.[illegible]	–	9.8
74⅝	63⅛	IBM Corpn $1¼	69⅝xd	.....	$4.[illegible]	–	4.4
52p	45p	Image Storage/R.Sys.Inc	45p	–2	–	–	–
27⅞	18¾	Ingersoll-Rand $2	27⅞xd	+⅛	$1.[illegible]	–	2.4
31	22½	Lockheed Crpn. $1	31xd	+⅛	$1.[illegible]	–	3.3
20⅞	13⅛	Lone Star Inds $1	20⅜xd	–⅛	$1.[illegible]	–	5.9
24⅞	17½	Louisiana Land 15c	24⅛xd	–⅛	$1.[illegible]	–	2.6
16¼	11½	Lowe's 50c	16¼	+⅛	[illegible]	–	1.9
23⅞	13⅛	Manuf. Hanover $1	23⅛	–⅛	$3.[illegible]	–	8.9
19¼	13⅛	Merrill Lynch $1	19¼	+⅛	$1.[illegible]	–	3.2
2253p	1910p	Molex Inc	2018p	–16	5[illegible]	–	–
26¼	18¼	Morgan (JP) $2½	26⅞xd	+⅛	$1.[illegible]	–	4.0
52½	36¼	NYNEX $1	52½	+1⅛	$4.36	–	5.3
23⅝	18¼	PHH Corp.	23⅝	.....	$1.12	–	3.0
253p	220p	♦Pacific Agr.	253p	.....	–	–	–
25	19	Pacificorp $3¼	24½	+⅛	$2.76	–	6.7
26⅝	16⅞	Pacific Telesis 10c	26⅞	+⅝	$1.88	–	4.5
21⅛	15¼	Pall Corp. 25c	23⅛	+⅛	48c	–	1.4
53⅞	39⅞	Pennzoil 83 1/3c	50⅞xd	–⅛	$3.00	–	3.7
25⅛	17⅛	Premark Intl	24⅛	–⅛	60c	–	1.6
39¼	28⅛	Quaker Oats $5	39¼xd	–⅛	$1.20	–	1.9
30⅛	23½	Rep NY Corpn $5	30	+⅛	$1.28	–	2.7
14⅞	11⅞	Rockwell Intl. $1	13⅞xd	.....	72c	–	3.3
34¼	21⅝	Southwestern Bell $1	34¼	+⅛	$2.60	–	4.8
27¼	17⅞	Sun Co. Inc. $1	27⅛xd	.....	$1.80	–	4.2
29⅝	22⅞	TRW Inc. 62½c	28⅝xd	+⅛	$1.72	–	3.8
21⅛	14⅜	TW Services $5	21	+⅛	10c	–	0.3
34⅞	26¼	Tenneco $5	34¼xd	+⅛	$3.04	–	5.6
35⅞	28	Texaco $6.25	31⅞xd	–⅛	♦$3.00	–	6.0
28⅞	21⅜	Texas Instr. $1	27⅞xd	–⅛	72c	–	1.7
108	58⅝	Time Inc. $1	108	+27⅛	$1.00	–	0.6
18⅞	13⅛	TRINOVA Corp.	10⅞xd	+¼	s64c	–	2.2
23¼	16	USX $1	22⅞xd	–⅛	$1.40	–	5.9
164p	126p	♦Unilab	158p	.....	–	–	–
33	22¼	Utd. Technologies	32½xd	+⅛	$1.60	–	3.2
158p	128p	♦Utilitech Inc	141p	.....	–	–	–
45⅛	31½	US West	45⅛	+⅝	$3.76	–	5.3
33⅝	22⅜	Waste Management $1	33⅝xd	+⅛	48c	–	0.9
19¼	13½	Whirlpool $1	19¼	+⅛	$1.10	–	3.5
21⅞	16⅛	Whitman Corp.	21⅞xd	–⅛	$1.[illegible]	–	3.0
33⅝	28⅛	♦Woolworth $3½	33⅝	+⅛	$1.[illegible]	–	3.5

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♦ABM Gold Corp	152p	+13	–	–	–
25p	4½p	♦Abbot Energy Corp.	25p	.....	–	–	–
14⅛	902p	♦Amer. Barrick Res.	14	–½	–	–	–
19½p	10½p	♦Armeno	16p	.....	–	–	–
330p	94p	♦Asiamerica Hldgs	318p	–1	–	–	–
33¼p	8½p	♦Augmitto Expln.	11½p	+1½	–	–	–
17¼	12⅞	Bk. Montreal	17	+⅛	$2.12	–	6.3
988p	655p	Bk. Nova Scot.	988p	+28	92c	–	4.7
21	17	BCE	21	+⅛	$2.44	–	5.9
848p	570p	♦Bow Valley	815p	+1	♦40c	–	2.5
13⅛	12⅛	♦Brascan	15⅛	+⅛	88c	–	2.8
228p	144p	♦Breakwater Res.	153p	–6	10c	–	3.3
16¼	11¼	Can.Imp Bank	16¼	+⅛	$1.24	–	3.9
12¼	997p	Can. Pacific	12¼	+⅛	76c	–	3.2
41½	38½	Do. 4pc Deb £100	41½xd	.....	4%	–	9.6
539p	374p	Central Capital "A"	537p	+8	–	–	–
476p	340p	♦Corona Corp.	470p	–6	–	–	–
378p	228p	♦Cons TVX Min.	378p	+14	–	–	–
759p	524p	♦Derlan Inds	736p	–2	11.75c	–	0.8
953p	751p	♦Echo Bay Mines	934p	+21	$0.07	–	0.4
572p	370p	♦ECO Corp	451p	–12	–	–	–
236p	184p	♦Galactic Resources	188p	–1	–	–	–
369p	243p	Gandalf Techs. Inc.	345p	–3	–	–	–
183p	129p	Granges Expln	161½p	+3	–	–	–
27½p	5¼p	♦Gt. Pacific Res.	8p	–½	–	–	–
812p	651p	♦Gulf Canada	795p	+1	52c	–	3.3
13⅝	10¼	♦Hawker Sid Can	13⅝	.....	$1.08	–	4.1
653p	348p	♦Henlys Group	610p	–8	–	–	–
18⅞	11⅛	♦Hudson's Bay	13¼	+⅛	60c	–	1.9
29½	23	♦Imperial Oil	28⅝	–½	$1.80	–	3.2
19⅝	14⅛	Inco	10⅝	+⅛	s$0.90	–	2.7
798p	599p	♦Inland Nat. Gas $1	795p	–3	60c	–	3.8
290p	102p	♦Madeleine Mines	193½p	–4½	–	–	–
193p	157p	♦Muscocho Expln	159p	–2½	–	–	–
126p	85½p	♦Nevada Goldfields	121¼p	–3	–	–	–
13½	10⅞	♦Rio Algom	13½	+⅛	85c	–	3.2
23⅝	17¼	Royal Bk. Can.	23⅝	+⅛	$2.20	–	4.7
48⅛	33⅛	Seagram	47⅞	+⅛	US$1.40	–	1.9
112p	74½p	♦Sonora Gold Corp	100½p	+½	–	–	–
85p	26p	♦Spiral Eng	26p	–½	–	–	–
109p	61p	♦Tam Pure Tech. Corp	63½p	+2½	–	–	–
22½	16⅛	Toronto-Dom. Bk.	21⅛	+⅛	$1.32	–	3.0
820p	686p	♦Trans Can Pipe	789p	+21	68c	–	4.4
183p	152p	Varity Corp	167p	.....	B–	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	219	ANZ $A1	246	+3	s034½c	2.0	7.0	7.2
*162	120½	Allied Irish Ord.	156xd	.....	hQ68%	♦	4.6	♦
£12¼	£11⅛	Algemene Fl.10	£12⅛	.....	Q27%	1.9	6.3	–
*80	61	Anglo Irish	69	.....	sQ1½%	4.0	5.8	11.7
79	75	Ansbacher (H.) 1p.	76	.....	2.0	–	3.5	–
£51⅞	£38⅞	Bancaire Cie Fr100.	£50	–⅛	hQ12½%	–	2.0	–
£40⅛	£35⅛	Banco Bilbao Viz.	£39⅝	.....	Q35.7%	2.0	3.3	15.1
£33	£28	Banco de Santander	£29⅞	.....	Q21%	2.4	2.6	16.1
*315	230	Bank Ireland Ir£1	290	.....	sQ10%	♦	2.9	♦
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

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Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
69	56	Rentaminster 5p... y	66	......	F2.0	4.3	4.0	13.4
205	175	Royal Sovereign 10p. y	200	......	5.5	3.2	5.7	11.2
21½	17	Scott Pickford 10p... y	19	......	3.1	0.7	21.8	9.9
160	95	Seacon Hldgs........ y	150	–2	2.5	6.1	2.2	9.3
11	7	Sonic Tape 2½p..... y	9½	......	–	–	–	11.5
*17½	5½	Stats Hldgs. 5p..... y	7½	......	–	–	–	13.0
*3¼	1¼	Swayard Studios 1p y	2¼	......	–	–	–	♦
85	28	Tomorrows Leisure 20p y	88	......	–	–	–	39.8
19	11	Tullow Oil 10p..... y	13½	–½	–	–	–	–
113	98	UPL Group 10p...... y	98	......	2.75	♦	3.7	♦
147	135	Unit Group.......... y	139	+1	F7.5	2.9	7.2	7.9
14	5	Vista Ents 5p....... y	10½	......	–	–	–	–
40	37	Vizcaya Hldgs 5p... y	38	......	–	–	–	–
36½	23	Wacegate Leisure 20p y	35½	+½	–	–	–	–
24	10	Do. Wrrnts......... y	24	+2	–	–	–	–
9¼	5	Wilton Group 1p.... y	7½	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♣ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p.... y	98	......
Craig & Rose £1.. y	720	......
Finlay Pkg. 5p.... y	88	......
Holt (Jos) 25p..... y	1310	–23

IRISH

Stock	Price	+ or –
Cap. 8½% Ln 1991...	£90	......
9pc Cap Ln. 1996..	£98	......
Fin. 13% 97/02...	£110	......
Arnotts..............	440	......
Carrol (P.J.)...... y	152	......
Hall (O. & H.)......	160	......
Heiton Hldgs...... y	72	–2
Irish Ropes..........	203	......
United Drug.........	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	15
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met.	48
GUS 'A'	90
Guardian	10
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	40
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk.	30
Morgan Grenfell	24
Nat West Bk.	52
P & O Old.	55
Plessey	22
Polly Peck	26
Racal Elect.	40
OHM	42
Rank Org Ord.	80
Reed Intnl.	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	100
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses ground

THE WEST German D-Mark was mostly weaker in currency markets yesterday. On a day when the dollar and sterling were both confined to a very narrow range, attention turned to the D-Mark and its performance against the yen and French franc.

The D-Mark was marked down after a defensive rise in French interest rates, falling to FFr3.3931 in London from FFr3.3970 nn Wednesday. It was fixed in Paris at FFr3.3945, but most traders do not expect the rate to fall much below FFr3.3930. The German unit's softer tone also reflected a small decline in interest rates in Frankfurt.

The yen managed to recover some of the ground lost on Wednesday as the D-Mark failed to capitalise on its break through resistance at Y72.50. From Wednesday's close of Y72.67, the D-Mark slipped back to Y72.49.

The dollar finished towards its best level of the day nn last-minnte short covering ahead of the release tomorrow of US May producer prices. The market will be looking to see if a lower than expected increase (estimates centre on a 0.5 per cent rise) will tempt the US Federal Reserve to continue its slow but steady relaxation of monetary policy. Some analysts believe that the Fed will require additional evidence that the rate of inflation is slowing before cutting rates.

Trading yesterday was confined to a narrow range, restricted on the down side by the dollar's status as a safe haven while the unrest continues in China. Its upward potential appears to be equally limited, partly because of the recent reduction in US interest rates and also because investnrs need fresh impetus to push tbe dnllar higher.But most analysts agree that the US unit's strong undertone remains intact.

The dnllar closed at DM1.9775 from DM1.9615 and Y143.35 compared with Y142.45. Elsewhere, it finished at SFr1.7125 from SFr1.6975 and FFr6.7100 against FFr6.6625. On Bank of England figures, the dollar's exchange rate index rose from 71.8 to 72.1.

Sterling was underpinned by supportive comments made yesterday by Mr Nigel Lawson, the Chancellor. Its exchange rate index opened and closed at 92.3, unchanged from Wednesday's close. Investors are reluctant to run too short on sterling ahead of the weekend, but the upside is limited ahead of next week's release of economic data, including average earnings and retail prices.

The pound fell to $1.5730 from $1.5820 but was higher against the D-Mark at DM3.1100 from DM3.1025. Against the yen it was unchanged at Y225.50. Elsewhere, it finished at SFr2.6950 from SFr2.6850 and FFr10.5550 compared with FFr10.5400.

CORRECTION: In the FT Guide to Wnrld Currencies table in Tuesday's Financial Times, the exchange rates for the CFA franc should have been 527.00 (sterling), 333.22 (US dollar), 169.86 (D-mark) and 234.74 (yen).

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4411	+2.31	+1.03	±1.5344
Danish Krone	7.85212	8.07608	+2.85	+1.57	±1.5404
German D-Mark	2.05853	2.07393	+0.75	-0.53	±1.0981
French Franc	6.90403	7.03832	+1.95	+0.67	±1.3674
Dutch Guilder	2.31943	2.33623	+0.72	-0.56	±1.5012
Irish Punt	0.768411	0.776193	+1.01	-0.27	±1.6684
Italian Lira	1483.58	1511.44	+1.88	+1.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Hong Kong	12.2575 - 12.2810	7.7920 - 7.7970
Iran	117.50*	72.50*
Korea(Sth)	1044.40 - 1052.80	663.80 - 669.20
Kuwait	0.46580 - 0.46680	0.29600 - 0.29650
Luxembourg	65.05 - 65.15	41.35 - 41.45
Malaysia	4.2440 - 4.2545	2.6980 - 2.7010
Mexico	3892.85 - 3898.45	2474.00 - 2476.00
N. Zealand	2.7515 - 2.7565	1.7490 - 1.7520
Saudi Ar.	5.9030 - 5.9060	3.7505 - 3.7515
Singapore	3.0635 - 3.0685	1.9460 - 1.9480
S. Af (Cm)	4.3415 - 4.3520	2.7620 - 2.7650
S. Af (Fn)	6.4935 - 6.6305	4.1235 - 4.2105
Taiwan	41.00 - 41.05	26.05 - 26.10
U.A.E.	5.7705 - 5.7825	3.6720 - 3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5700 - 1.5770	1.5725 - 1.5735	0.56-0.53cpm	4.16	1.81-1.76pm	4.54
Canada	1.8815 - 1.8875	1.8825 - 1.8835	0.24-0.13cpm	1.18	0.90-0.73pm	1.73
Netherlands	3.49½ - 3.51	3.50 - 3.51	1⅞-1¾cpm	6.21	5⅞-5⅝pm	6.56
Belgium	64.95 - 65.20	65.05 - 65.15	29-27cpm	5.16	90-85pm	5.38
Denmark	12.08 - 12.12	12.11 - 12.12	5⅛-4⅞orepm	4.95	14½-13¾pm	4.66
Ireland	1.1595 - 1.1660	1.1630 - 1.1635	0.50-0.45cpm	4.91	1.45-1.35pm	4.83
W. Germany	3.10¼ - 3.11¼	3.10¾ - 3.11¾	1⅞-1¾pfpm	6.99	5⅛-5¼pm	6.83
Portugal	258.15 - 260.05	258.15 - 259.15	21-69cdis	-2.09	29-142dis	-1.32
Spain	201.15 - 202.80	202.05 - 202.80	10-21cdis	-0.92	24-44dis	-0.67
Italy	2260½ - 2268½	2267½ - 2268½	2-1lirepm	0.79	10-7pm	1.50
Norway	11.25 - 11.28	11.27 - 11.28	2⅞-2⅛orepm	2.66	8⅜-7⅝pm	2.82
France	10.53 - 10.56	10.55 - 10.56	4⅛-3⅞cpm	4.55	12⅜-12⅛pm	4.74
Sweden	10.47 - 10.49½	10.48 - 10.49	1⅞-1¼orepm	2.07	6⅞-6½pm	2.50
Japan	224¾ - 226	225 - 226	1⅝-1½ypm	8.31	4⅞-4⅝pm	8.54
Austria	21.85 - 21.90	21.85 - 21.90	11⅞-11gropm	6.27	36⅝-34⅞pm	6.49
Switzerland	2.68½ - 2.70	2.69 - 2.70	1½-1⅜cpm	6.40	4⅛-4¼pm	6.40

Belgian rate is convertible francs. Financial franc 65.25-65.35. Six-month forward dollar 3.68-3.63cpm 12 month 6.80-6.70pm *Correction for 7/6/89, French franc Close 10.53½-10.54½.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5700 - 1.5770	1.5725 - 1.5735	0.56-0.53cpm	4.16	1.81-1.76pm	4.54
Ireland†	1.3500 - 1.3555	1.3510 - 1.3520	0.10-0.15cdis	-1.11	0.02-0.12dis	-0.21
Canada	1.1960 - 1.1980	1.1970 - 1.1980	0.28-0.32cdis	-3.01	0.82-0.88dis	-2.84
Netherlands	2.2190 - 2.2290	2.2270 - 2.2280	0.45-0.43cpm	2.38	1.16-1.12pm	2.05
Belgium	41.25 - 41.45	41.35 - 41.45	4.50-3.00cpm	1.09	10.00-7.50pm	0.85
Denmark	7.67¾ - 7.70½	7.70 - 7.70½	0.60-0.35orepm	0.74	0.45-0.05pm	0.13

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.
DM	0.322	0.506	1	72.51	3.394	0.8[illegible]
YEN	4.435	6.976	13.79	1000.	46.81	11.9[illegible]
F Fr.	0.947	1.490	2.946	213.6	10.	2.5[illegible]
S Fr.	0.371	0.584	1.154	83.67	3.917	1
H Fl.	0.285	0.449	0.887	64.34	3.011	0.7[illegible]
Lira	0.441	0.694	1.371	99.43	4.654	1.1[illegible]
C $	0.531	0.835	1.652	119.8	5.605	1.4[illegible]
B Fr.	1.536	2.416	4.777	346.4	16.21	4.1[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling falls back

SHORT STERLING contracts failed to hold on to early gains in Liffe trading yesterday and finished down from Wednesday's close. The September price opened at 86.09, up from 86.07, and touched a high of 86.14 before retreating to 86.05 at the close. Early sentiment was helped by a softer feel in the cash market as sterling remained steady. However, after earlier bear positions had been closed, there was little else to justify the rise. Most traders were agreed that the chance of an early cut in base rates is small, and on this basis the futures price is still expensive.

Long gilt futures were pushed firmer in quite brisk trading, with over 20,000 lots exchanged in the September contract. The latter opened at 93-14 and moved up to a best level of 93-27 before closing at 93-22 compared with 93-05 on Wednesday.

US Treasury bonds also finished on a firmer note although values eased back in later US trading when the State Department failed to confirm rumours that US citizens have been killed in China.

West German Government bonds opened on a firmer note at 94.14 for September delivery but lost ground to finish at 93.97, down from 94.08 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	362	433	10	33
91	308	349	28	49
92	221	304	41	104
93	138	229	58	129
94	104	159	124	159
95	45	130	201	230
96	28	107	248	307

Estimated volume total, Calls 1500 Puts 1055
Previous day's open int. Calls 8167 Puts 14701

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	542	605	22	61
92	363	437	43	129
94	236	319	116	211
96	130	216	210	308
98	49	132	329	424
100	24	63	504	555
102	10	39	654	731

Estimated volume total, Calls 160 Puts 170
Previous day's open int. Calls 2079 Puts 1399

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9250	169	183	22	52
9300	131	150	34	69
9350	98	121	51	90
9400	72	98	74	115
9450	50	75	103	144
9500	33	57	136	176
9550	22	43	175	212

Estimated volume total, Calls 1438 Puts 1020
Previous day's open int. Calls 6833 Puts 6705

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

LONDON (LIFFE)

PHILADELPHIA SE £/$ OPTIONS

CHICAGO

EUROPEAN OPTIONS EXCHANGE

Philips P	Fl. 40	143	2.20	277	2.60	29	3.20	Fl. 38.60
Royal Dutch C	Fl. 130	477	10.30	228	12	10	13.50	Fl. 138.40
Royal Dutch P	Fl. 140	107	3.30	57	5.60	-	-	Fl. 138.40
Unilever C	Fl. 140	291	2.60	77	5.60	113	7.10	Fl. 139.30
Unilever P	Fl. 130	90	0.30	177	1.50	-	-	Fl. 139.30
Van Ommeren C	Fl. 50	362	1.70	178	3.60	-	-	Fl. 47.50
Van Ommeren P	Fl. 45	295	0.80 b	32	2.40	-	-	Fl. 47.50
Wessanen C	Fl. 85	116	5.30	43	7.50	-	-	Fl. 89.20

TOTAL VOLUME IN CONTRACTS : 61,700
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Period rates ease

LONGER TERM rates were a little lower in London yesterday, helped by sterling's steadier trend. One-year interbank money slipped to 14-13⅞ per cent from 14⅛-13{illegible} per cent, while the three-month rate was unchanged at 14-13⅞ per cent.

The softer tnne was nnt entirely expected. Some traders suggested that yesterday's comments by Mr Nigel Lawson, the Chancellor (that rates would be held at whatever level wasnecessary to control inflation) was more likely to result in a further rise in rates. By his own admission, UK inflation has yet to peak.

The Bank of England forecast a flat liquidity position. Factors affecting the market incinded bills maturing in official hands and a take np of Treasury bills, together with repayment of late assistance draining £178m. There was also a rise in the note circulation of £70m, and banks brought forward balances £60m below target. These were partly offset by Exchequer transactions which added £290m. There was no intervention by the Bank during the morning or afternoon.

Interest rates were marked up in Paris after the Bank of France drained liquidity from the money market. The move is seen as an attempt to support the French franc. The latter has weakened in recent weeks as interest rates elsewhere, nntably in West Germany, have been rising slowly.

Call money rose to 9⅛ per cent from 8⅞ per cent, moving above the 9 per cent level at which the central bank operates its 5-10 day repurchase facility. The move above 9 suggests that the market retains a degree of uncertainty after the Bank's move to support the franc.

In Frankfurt, call money fell slightly to around 6.4 per cent from 6.45 per cent. Wednesday's net injection of DM2.6bn through a sale and repurchase tender now appears to be enough to meet liquidity requirements. This was reflected in banks' minimum reserve holdings with the Bundesbank which rose to DM58.7bn on Tuesday from DM57.2bn on Monday. Longer term rates were also slightly lower as traders now see less chance of an early rise in the Lombard or discount rate. Sentiment was influenced by comments made yesterday by Mr Karl Otto-Pöhl, president of the Bundesbank, when he stressed that the Bundesbank should not over-react to events in currency markets.

UK clearing bank base lending rate
14 per cent
from May 24

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd.	‡13.75		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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COMPANY NOTICES

TRANS-NATAL COAL CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 63/01068/06

PAYMENT OF INTEREST - CLOSING OF REGISTERS 12.7 PERCENT UNSECURED SUBORDINATED COMPULSORILY CONVERTIBLE DEBENTURES

NOTICE IS HEREBY GIVEN that interest for the period ending 30 June 1989 will be payable to holders of the above-mentioned debentures registered in the books of the company at the close of business on 30 June 1989.
The registers of debenture holders will be closed from 1 July 1989 to 16 July 1989, both days inclusive.
Interest will be payable in the currency of the Republic of South Africa.
Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 18 July 1989 or the first day thereafter on which a rate of exchange is obtainable.
Cheques dated 31 August 1989 will be posted by the transfer secretaries on 25 August 1989.

By order of the board
per pro. GENCOR (U.K.) LIMITED
London Secretaries
L J Baines

30 Ely Place
London EC1N 6UA

London Transfer Secretaries
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

9 June 1989

SOLVAY + CIE

The General Meeting of 5th June, 1989 approved the distribution for the financial year 1988 of a net dividend of BF410 on bearer shares. The final dividend of BF310 will be payable by BF draft, by transfer to a BF account, or, in sterling at bankers sight buying rate for Belgian francs on the day of presentation at the option of the holder against presentation of Coupon No 43 at either of the following offices.

Schroder Investment Management Limited
36 Old Jewry
London EC2R 8BS
Attention Coupon Department

Banque Belge Limited
4 Bishopsgate
London EC2

Between the hours of 10 am and 2 pm on or after Tuesday 20th June 1989. UK tax will be deducted from the net dividend unless lodgements are accompanied by the necessary affidavit. Payment can be made only to persons residing outside the Belgo-Luxembourg Customs Union. Shareholders should note that under the terms of the U.K./Belgian Double Taxation Convention Solvay shareholders resident in the UK are eligible, upon submitting a duly completed form 276 Div to partial reimbursement of Belgian withholding tax equal to 13.33 pct of the net dividend.

The new shares that group employees did subscribe on the occasion of the 125th anniversary of the company will be entitled to a net dividend of BF 69, which will be paid on 20th June,1989.

LEGAL NOTICES

No. 002931 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
CADBURY SCHWEPPES
PUBLIC LIMITED COMPANY
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 17th May 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company by the sum of £3278698 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice Strand London WC2A 2LL on Monday the 19th day of June 1989.

ANY creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 8 day of June 1989.

Slaughter and May of
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company.

IN THE HIGH COURT OF JUSTICE No. 002779 of 1989
CHANCERY DIVISION
IN THE MATTER OF BIMEC INDUSTRIES PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 11th May 1989 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above named Company as of the 30th March 1989.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday the 19th day of June 1989.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 9th day of June 1989.

Lovell White Durrant
21 Holborn Viaduct, London EC1A 2DY
Tel: 01-236 0066

Ref: L1A/NAC/MPR/A1307/15

JOTTER PAD

CROSSWORD

No.6,955 Set by FETTLER

ACROSS
1 Happen to risk (6)
4 Gets me in strange encounters (8)
9 Thrill that remortgaging home gives (6)
10 Many twigged that it's disintegrated (8)
12 Cocks round in Rolls! (8)
13 Plane tree – e plant that's hybrid (6)
15 Din is reduced by nne hooter (4)
18 I landed backwards in practice exercise (7)
20 Temporary, having no time, is rushing off (7)
21 From beginning to end, the expert fiddler (4)
25 What if a moustache hides one who's well known? (6)
26 Often found at the back of French fireguard (8)
28 Cut back, excavated, then inspected (8)
29 Agreed with police leaving, as counterfeiter did (6)
30 Husbands? From The Hague perhaps (8)
31 To interfere sounds like an honour (6)

DOWN
1 Providing for a dainty combination (8)
2 Low bar is a disreputable hole to resort to (3-5)
3 Cuffs mustn't be cast too soon (6)
5 Arne composed to get an income (4)
6 Withnut a watch it's everlasting (8)
7 Riparian Sudanese? Here's one set in the north-east (6)
8 Partisanship can be a spur (6)
11 Fragment more suitable? That's about right! (7)
14 Cover left in conglomerate (7)
17 Wheat product is hard to grow well (8)
18 A pit in the act of being closed? (8)
19 Stir oatmeal dish (8)
22 Upset, being far from the finish (6)
23 A jape's effect (6)
24 Uplifting mediaeval verse is out of fashion (6)
27 Glacial snow is still drifting up (4)

Solution to Puzzle No.6,954

BARMOUTH STEWED
REDOLENT SCARCE
ALLOTMENT ICONS
LAST PRESSON
OPPOSES NESS
PURES UNSCATHED
ENAMEL DEADLINE
ESSAYS STABLESS

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices June 8

Total Sales 6,533,708 shares.

MONTREAL
4pm prices June 8

INDICES

NEW YORK — DOW JONES

	June 7	June 6	June 5	June 2	1989 High	1989 Low	Since compilation High	Since compilation Low
◆Industrials	2512.32	2496.32	2480.70	2517.83	2517.83 (2/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.89	91.68	91.44	91.12	91.89 (7/6)	87.35 (23/3)	–	–
Transport	1145.86	1141.33	1146.02	1158.31	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	205.96	204.78	203.12	203.47	205.96 (7/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2526.66 (2507.54) Low 2493.38 (2471.32)

STANDARD AND POOR'S	June 7	June 6	June 5	June 2	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	326.95	324.24	322.03	325.52	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	373.82	371.10	368.52	372.99	373.82 (7/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.22	30.95	30.75	30.91	31.22 (7/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	182.34	180.93	179.89	181.49	181.49 (2/6)	154.90 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	364.41	360.84	359.58	360.47	364.41 (7/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	453.20	447.96	447.84	451.63	453.20 (7/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 2	May 26	May 19	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.58	3.35	3.58
	May 31	May 24	May 17	year ago (approx.)
S & P Industrial div. yield	3.02	3.03	3.04	2.94
S & P Indl. P/E ratio	13.53	13.46	13.42	15.35

TRADING ACTIVITY † Volume	June 7	Millions June 6	June 5
New York	213.710	187.570	163.420
Amex	16.861	13.366	12.250
OTC	(u)	142.744	137.726

NEW YORK	June 7	June 6	June 5
Issues Traded	2005	1993	1981
Rises	976	941	600
Falls	536	564	933
Unchanged	493	488	448
New Highs	243	176	205
New Lows	13	28	16

CANADA

TORONTO	June 7	June 6	June 5	June 2	1989 High	1989 Low
Metals & Minerals	3439.8	3411.5	3421.8	3436.0	3564.9 (6/2)	3207.5 (3/1)
Composite	3785.8	3757.2	3722.1	3730.1	3785.8 (7/6)	3330.5 (6/1)
MONTREAL Portfolio	1929.11	1916.31	1901.56	1908.01	1929.11 (7/6)	1677.48 (3/1)

	June 8	June 7	June 6	June 5	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1545.4	1534.0	1523.3	1535.5	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	702.0	702.9	696.3	696.1	727.0 (26/1)	652.8 (7/4)
AUSTRIA Credit Aktien (30/12/84)	338.43	335.86	333.28	329.87	338.43 (8/6)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6114.03	6100.36	6099.66	6099.96	6125.62 (29/5)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	316.15	316.77	315.23	(c)	316.77 (7/6)	275.49 (27/2)
FINLAND Unitas General (1975)	808.2	807.5	810.5	811.8	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	483.9	483.4	483.3	485.9	485.9 (5/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	114.2	114.0	113.8	114.5	114.5 (5/6)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	600.96	597.32	589.93	595.49	600.96 (8/6)	535.78 (27/2)
Commerzbank (1/12/53)	1785.4	1771.8	1750.7	1766.3	1785.4 (8/6)	1595.7 (27/2)
DAX (30/12/87)	1438.73	1432.66	1413.78	1419.13	1438.73 (8/6)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	(c)	2224.66	2149.71	2093.61	3309.64 (15/5)	2093.61 (5/6)
ITALY Banca Com. Ital. (1972)	628.68	622.49	619.18	617.06	628.68 (8/6)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	33718.29	33626.89	33452.01	33457.0	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2504.73	2487.29	2482.58	2486.57	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS Ttl.Rtn.Gen.(End 1983)	247.5	246.3	245.8	243.9	247.5 (8/6)	208.3 (3/1)
CBS All Shr (End 1983)	192.8	191.9	191.5	190.0	192.8 (8/6)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	616.37	625.61	629.44	633.79	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1207.11	1226.74	1233.13	1271.37	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1518.06	1534.0	1445.0	1445.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2518.06	2521.0	2471.0	2451.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	313.54	311.29	309.15	309.39	313.54 (8/6)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4039.0	4020.0	4001.5	4018.4	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	706.2	704.2	699.5	700.1	706.2 (8/6)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	502.0	497.0	500.3	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comms	7,110,300	53½	+ 1¼	Windmere	2,793,400	14⅛	− 2
Paramount	6,080,400	54⅞	+ ⅞	AT&T	1,999,200	36	+ ¼
Time	5,779,500	170	+ 43⅞	Syntex	1,982,300	53	+ 3⅞
TW Services	4,514,900	33¼	+ ⅞	Tex Instruments	1,910,500	36	+ 1⅞
Eastman Kodak	3,376,200	50⅞	+ 3⅛	CNW Corp	1,722,000	47⅛	----

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday June 8 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Ohbayashi	43.0m	1,850	0	Komatsu	12.6	1,480	+40
Sumitomo Metal	22.9m	870	0	Osaka Kiko	10.4	1,130	+40
Kawasaki Steel	21.8m	987	-13	JGC	10.2	2,020	+180
Toshiba	15.9m	1,410	+10	MHI	10.1	1,170	+100
Meiko	12.8m	1,170	+20	KHI	8.8m	1,130	0

4pm prices June 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅛	27¾	AAR	.44	1.4	27	164	32	31½	31⅞	– ⅛
10⅞	8⅜	ACM s	1.01	11.		127	9¼	9¼	9¼	– ⅛
11⅞	10¾	ACMIn	1.26a	11.		377	11⅞	11	11⅞	+ ⅛
10½	8½	ACM M	s1.01	11.		314	9⅞	9⅞	9⅞	
11½	10	ACM Se	1.29	11.		1195	11½	10⅞	11	+ ⅛
10	8⅞	ACMSp	1.01	11.		548	9¼	9	9¼	+ ⅛
17¼	10⅞	AL Lab	.12	.7	16	236	17¼	16⅞	17	+ ⅛
4⅞	3	AMCA	.139	3.6	27	7	4	4	4	
6⅞	3½	AM Intl				857	6⅝	5⅞	6½	
23½	18⅞	AM In pf	2	9.1		75	22	22	22	+ ⅛
65⅝	40⅞	AMR			7	2585	62⅞	61½	61⅞	– ½
27	25	ANR pf	2.67	10.		3	25⅞	25⅞	25⅞	– ⅛
24⅞	23½	ANR pf	2.18	8.8		1	24⅞	24⅛	24⅞	– ⅛
6½	2¾	ARX				60	4⅞	4⅞	4⅞	
46⅞	35¼	ASA	3a	7.2		206	41¾	41⅞	41½	– ⅛
22⅞	18¼	AVX	.24	1.1	18	395	22¼	22	22¼	– ½
61⅛	43½	AbtLab	1.40	2.3	18	3224	60⅝	60¼	60½	– ⅛
19	15⅞	Abitibi g	1			21	16⅞	16⅞	16⅞	+ ½
12	7½	AcmeC	.40	3.4		185	11¾	11½	11¾	+ ¼
8	5⅞	AcmeE	.32	4.0	10	30	8	8	8	+ ⅛
34⅞	20¼	Acuson			25	141	22¾	21¼	22¼	+ ⅛
16⅞	14¼	AdaEx	1.82e	12.		158	15⅞	15½	15⅝	
16⅞	7⅞	AMD				2794	10⅞	10⅞	10⅞	– ⅛
16¼	6½	Adobe				680	9⅞	9¾	9⅞	+ ⅛
19⅞	16½	Adob pf	1.84	10.		36	19⅞	19¼	19¾	+ ⅛
21⅞	19⅞	Adob pf	2.40	12.		24	20⅞	20¾	20¾	– ⅛
9⅞	6¼	Advest	.12	1.7	17	36	7¼	7	7	
56	43½	AetnLf	2.76	4.9	9	654	u56⅞	55¾	56⅛	+ ⅛
13	12½	AflPb s				5757	u12⅞	12¾	12¾	
22⅞	14⅞	Ahmans	.88	3.9	11	8057	u23	22¼	22¾	+ ½
4⅞	2⅞	Aileen			18	53	3¼	3⅛	3¼	
53⅞	37¾	AirPrd	1.20	2.7	11	1055	44⅛	43⅞	44	+ ⅛
28⅞	15½	AirbFrt	.05	2.2	25	122	27	26⅞	27	+ ⅛

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39½	42½	Quantm	6	7.0	8	3732	43⅛	42⅞	42⅛	− ½
12	9¾	QstVl	1.20a	10.		221	12	11⅞	12	
11⅛	7⅛	QstVC				550	11⅛	11⅞	11⅛	− ⅛
35⅛	31	Questar	1.88	5.3	26	53	u35⅝	35⅛	35½	+ ⅜
16⅞	10¾	QkRelty	.24	1.6	78	211	15¾	14¾	15¼	+ ½
		— R — R — R —								
12	10⅜	RAC In	n1.32	11.		168	11⅜	11⅜	11⅜	
11⅛	4	RAC	1.69e	34.	8	617	5⅛	4⅞	4⅞	− ¼
23⅛	20⅞	RJR pf				8323	23¼	22⅛	22⅞	− ⅛
10½	8½	RLC	.20b	2.1	9	45	9⅝	9⅜	9½	+ ⅛
10⅜	7⅛	RLI Cp	.35	4.7	7	38	7⅞	7⅝	7⅝	− ⅛
19¼	14½	ROC TF				747	16⅞	16⅛	16⅞	+ ⅜
9⅝	6	RPC			20	83	8	7⅞	7⅞	− ⅛
7½	5½	RPS n	.18e	3.0		191	6⅛	5⅞	6⅛	+ ½
83⅛	28½	Racal s				4954	82⅞	81	82⅞	+ 1⅛
13-16	9-10	vjRadca				782	⅞	11-16	⅞	
89⅛	74	RalsPur	1.20	1.5	18	833	u90½	89⅜	89¼	+ ⅞
18⅝	7	Ramad				6135	u14⅛	13⅝	14	+ ½
8½	4⅞	RangrO			30	871	5⅝	5½	5½	+ ⅛
34	30¼	Rayonr	.32	.9	10	1985	35¼	34⅞	34⅞	
15⅛	8	RJamF	.28	1.5	9	40	15¼	15¼	15⅛	
21⅝	10	Rayonr	2.60	14.	6	114	19¼	19	19⅛	
6½	½	vjRaytc				21	2⅞	2¼	2⅞	
73⅞	63⅛	Raythn	2.20	3.0	10	1677	73⅞	73⅛	73½	+ 1
1½	½	ReadBt				241	15-16	⅞	⅞	
4⅝	1¼	RdBat pf				4	3¼	3½	3⅛	
3⅝	1⅛	RdBt pfA				38	3	2⅞	3	+ ⅛
17⅝	16¼	REIT	1.36	8.3	10	24	17	16⅞	16⅞	
16½	13½	RltRef	1.72	12.	8	10	14⅛	14	14	− ⅛
12⅛	5½	RecnEq			20	4004	8⅛	7½	8⅛	+ ⅛
17¼	8⅛	Reebok	.30	2.8	11	2944	16⅞	13⅛	13⅛	− ⅛
10	11	Reece	.15e	1.1	18	26	14¼	14⅛	14½	− ⅛
½	7-64	Regal				20	3-16	5-32	3-16	
7⅞	5⅞	ReglFd	.24e	3.8		84	7⅞	7⅛	7⅞	
19	12½	ReichTg	1.76	12.	9	34	14⅛	14	14⅛	
6⅞	4⅛	RelGrp	.80	6.8	11	185	6½	5⅞	5½	
[illegible]										
20	31⅛	Xerox	3	4.8	16	18171	64⅝	63⅝	64⅝	+ 1⅛
44⅛	29⅞	XTRA	.72	2.1	18	630	34½	33⅞	34⅛	− ⅝
28	25	XTRA pf	1.94	7.1		26	27½	27	27½	
3⅞	5	Zapata				207	5⅞	2⅞	2⅞	− ⅛
30⅛	16⅞	Zayre	.40a	1.3	199	9587	30½	29⅝	29⅞	+ ½
17⅛	15⅛	Zayre wi				275	u17⅞	17	17½	+ ⅜
15½	10½	Zemex	.40	3.3	133	2	12	12	12	
25	16½	ZenithE			1019	1506	20½	20⅛	20⅜	
10½	8⅞	Zenlac	1.26	14.		30	9⅝	9⅛	8⅛	
2⅞	1	vjZenLb				478	1⅛	1⅛	1⅞	
21⅛	15	ZenNtl	.84	4.6	9	28	18⅛	18⅛	18⅞	
21½	14⅛	Zero	.44	2.1	17	583	u21⅞	21⅛	21⅞	− ⅛
37¼	19⅞	Zurnin	.06	1.8	19	743	u37⅞	37	37¼	+ ⅛
11⅛	10	Zweig	1.07e	9.6		735	11¼	11⅛	11⅛	
10⅛	8¾	Zweig s	.96	10.		1361	9½	9⅜	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 8

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
	— X — Y — Z —					
XL Dta s		22 211	20½	24	23½	
XOMA		331	18	16⅛	19	+ ⅛
Xicor		10 575	7⅞	7½	7⅛	− ⅛
YelowF	.70	11 1356	27⅞	27⅝	27⅞	− ⅛
ZionUt	1.44	14	20⅞	24⅛	24⅛	
Zycad		233	3½	6⅛	3½	+ ⅛

AMERICA

Takeover speculation spurs Dow

Wall Street

CONTINUED BUYING of issues rumoured to be takeover candidates offset weakness in oil company stocks and helped boost the Dow Jones Industrial Average to a modest gain as profit-taking took the index off its morning highs, *writes Janet Bush in New York.*

During morning trading, the Dow stood as much as seven points higher but then dipped back to close 4.19 points higher at 2,516.91 on heavy volume of 212m shares. The last post-crash closing high was on June 2 at 2,517.83.

After dramatic gains in other indices on Wednesday because of huge surges in new takeover candidates Time on the New York Stock Exchange and LIN Broadcasting on the Nasdaq market, the indices calmed down yesterday. The Standard & Poor's 500 was quoted 0.20 point lower at 326.75 at yesterday's close, while the Nasdaq Composite was 0.79 points higher at 453.99.

The American Stock Exchange outperformed all others to close 1.59 points higher at a new all-time peak of 366.00.

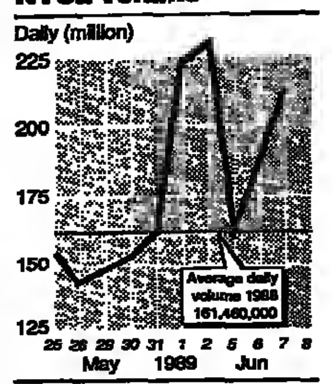
The Nasdaq Composite is within about two points of its 1987 all-time peak.

The Dow remains nearly eight per cent below its all-time high in August 1987. The fact that measures of secondary stocks have been performing so well is encouraging to equity traders and technical analysts as it suggests broad, genuine demand, not just a speculative excess.

The major issue in both the equity and bond markets is how much more investors will start moving their funds out of cash and into securities. For a very long time, institutional investors have kept a large proportion in cash but some of this money is now beginning to move into stocks and bonds.

The more both markets rally, the heavier the pressure on fund managers to move into stocks and bonds and out of cash. It is very difficult to explain to an investor in a mutual fund that you missed out on a substantial rally by staying in a defensive, high cash position.

NYSE volume



Takeover targets and rumoured bid candidates dominated the most active list on the New York Stock Exchange.

Eastman Kodak topped the list, jumping \$1¼ to \$50⅝ in heavy trading. There have been persistent rumours that someone has been building a stake in the company. The most often mentioned possible bidder is Mr Carl Icahn who has just sold a \$2bn block of shares in Texaco.

Warner Communications, whose agreed merger with Time looks under threat since the \$10.7bn bid announced on Wednesday from Paramount Communications, jumped \$3¼ to \$56½, Time dropped \$2 to \$168 after its spectacular gains on Wednesday and Paramount added \$3⅞ to \$58⅞.

On the over-the-counter market, LIN Broadcasting fell \$5¼ to \$124¼ on profit-taking after its huge run-up and McCaw Cellular, which is attempting to take over LIN, dropped \$1⅞ to \$45⅛.

Among other featured stocks was American Medical International which rose \$22½. The company said it had received a letter from Brian M Freeman Enterprises about the possibility of a buy-out for cash and stock valued at \$27 a share by a new Employee Stock Ownership Plan.

Lomas Financial Corp, the Texas-based financial services company, was unchanged at \$10 on news that it is selling its retail banking and credit card businesses to an investor group led by Merrill Lynch Capital Partners for \$500m in cash and preferred stock.

Oil company stocks were weak yesterday in reaction to Wednesday's plunge in oil prices. Chevron fell \$1⅝ to \$53⅞, Mobil dipped \$⅝ to \$50¼, Atlantic Richfield slumped \$1⅞ to \$91⅝ and Exxon eased \$⅛ to \$43⅞.

Canada

SHARE PRICES extended gains of the past few days and closed higher in heavy trade.

The Toronto 300 composite index gained 20.30 points to close at 3806.03 - above the 3800 level for the first time since October 8 1987. Volume reached 32,692,000 shares, up from 31,231,000.

SOUTH AFRICA

GOLD shares ended mostly easier in a generally quiet Johannesburg due to a lack of follow-through buying after Wednesday's steep rise.

Shift of attitude buoys Frankfurt

Alison Maitland on why the market has surged to post-crash peaks

A STRIKING shift of attitude towards the dollar's strength and a bout of malaise in the UK have sent West German equities surging to their highest levels since the 1987 crash.

More than two weeks of solid gains, interspersed with profit-taking, have lifted the FAZ index by 6 per cent to breach the 600 level yesterday. The index rose 3.64 to 600.96, while the DAX index closed up 6.07 at 1,438.73, in spite of some profit-taking towards the close. Turnover was a hefty DM6.6bn worth of German shares.

For most of this year, the German market has fought an unequal battle with London for the attention of foreign investors. But recently, as sterling's losses and spiralling interest rates pushed UK equities into the doldrums, foreigners "rediscovered" the continent, and Germany in particular.

Blue chips such as Deutsche Bank, Siemens, Daimler and the chemicals have led the latest rally – foreigners tend to go for the most liquid shares as a way into the market.

The main buying has been from Britain, as the possibility of further sterling weakness against the D-Mark encourages hopes that currency gains can be made from German assets.

Mr Jens Wiecking, director at Merck Finck private bank in Düsseldorf, pinpoints an analysts' meeting at Volkswagen, the motor group, on May 22 as the trigger for the swing in sentiment. "People suddenly started to realise that a strong dollar can be very positive for the German market," he says. "Exports make up 58 per cent of the sales of our 10 biggest industrial companies – in other countries the export ratio is much lower – and the big 10 stocks account for more than one-third of the market's capitalisation."

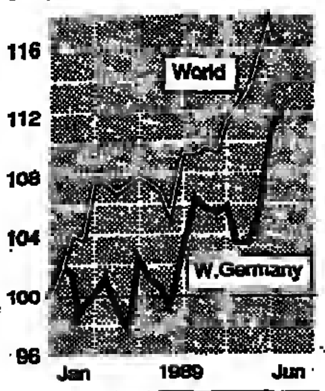
While a strong dollar is good for exporters, the parallel dangers of a weak D-Mark are receding as the US currency looks close to peaking. "Foreigners believe they won't lose too much on the D-Mark with the dollar at DM1.90-DM2.00."

Mr Wiecking expects the FAZ index to rise rapidly to 620. Beyond 625, there could be a period of consolidation, but the uptrend would not necessarily be over.

For most of this year, positive news has emerged both on the German economic front and on the corporate scene. The 4.2 per cent rise in first quarter gross national product has fuelled expectations of a strong second quarter, while profits forecasts have been steadily revised upwards, as they were last year.

Fears of global inflation and higher interest rates offset these fundamentals throughout the spring, but the tables have now turned.

FT-A World Indices in £ terms



Mr Mark Hawtin of BNP Securities in London is none the less sceptical about the duration of the rally. Financial stocks, helped by stable interest rates and an increase in securities business, could fuel a further 5 per cent rise, but consolidation is then likely to last the summer, he believes.

This is because it is a blue chip rally, "and fundamentally a lot of blue chips are not looking good." He cites Daimler, "which has got two years of pretty appalling figures to come." Rising raw material costs, possible big wage increases next year and a (long-awaited) peak in the European car market are clouds on the horizon.

A fair proportion of recent heavy turnover has also been directly related to the current dividend-paying season in the chemical sector.

In spite of these reservations, Mr Hawtin thinks there is good value outside the big blue chips, especially in stocks such as Holzmann, the builder, and retailer Karstadt, which have been pushed up this year on the large potential value of their land assets.

At Citicorp Scrimgeour Vickers, Mr Brian Wilkinson argues that unit labour costs next year will still be much lower than in many countries, enhancing industrial competitiveness. This, together with further buoyancy in corporate profits, could sustain the stock market's rise.

"The first test (on the FAZ) is 620, which will probably be reached before the August holiday," he says. "Then there will be a pause for breath and by that time the market will be beginning to think seriously about 1990 earnings. If second quarter GDP growth is strong . . . and external factors still look good, then I would say that, come the autumn, there will be another push towards the 650 level."

ASIA PACIFIC

Nikkei slips back after early market enthusiasm

Tokyo

BUYING enthusiasm fizzled out and volume remained depressed after a bargain-hunting spree had lifted share prices earlier as the market tried to shrug off recent worries, *writes Michiyo Nakamoto in Tokyo.*

Share prices rose steadily in early trading, with the Nikkei average closing the morning session up 189.83 points. This initial spurt of energy, however, could not be sustained and the Nikkei average finished the day up only 91.40 at 33,718.29. The high was at 33,838.30 while the low was at 33,657.46.

Advances outnumbered declines by a wide margin at 622 against 281 while 187 issues were unchanged. Turnover was still low at 659.89m shares but slightly higher than the 622.35m traded on Wednesday.

The Topix index of all listed shares gained 17.44 to 2,504.73 and the ISE/Nikkei index 3.58 to 1,991.06 in London trading.

Investors were eager to buy on a dip, said Mr Shiu Tokoi at County NatWest Securities. But there wasn't enough energy in the market to encourage investors to keep buying and sustain the initial gains, he added.

Concerns about the international outlook, with China still suffering internal fighting, and about the currency market remained to cast an ominous cloud over the market.

On the domestic front, the June elections to the Upper House of the Diet (Parliament) were another matter for concern. If the ruling Liberal Democratic Party should lose a significant number of seats, it could lead to a further weakening of the yen, analysts said. The general consensus was that institutional investors were likely to remain on the sidelines until after the elections.

Under these circumstances, investors were inclined to select issues with specific incentives and to jump on any promising news stories. One significant topic was environment protection, which has attracted renewed interest lately. The announcement by Mitsubishi Electric and Taiyo Sanso of a new device free of chlorofluorocarbons to clean printed circuit boards and precision instruments used in semiconductor manufacturing helped to trigger a spurt of buying in related issues.

Mitsubishi Electric added Y50 to Y1,200 during the day, closing up Y20 at Y1,170, and Taiyo Sanso rose 100 to Y1,030.

Plant engineering companies posted strong gains on a report by Japan's Ministry of International Trade and Industry that plant exports are expected to rise more than 50 per cent in fiscal 1989.

JGC Corp, a plant-engineering company that also manufactures zeolite, which dissolves chlorofluorocarbons, rose Y180 to Y2,520 in active trading.

Toyo Engineering rose by a maximum allowable single-day margin of Y300 during the day to Y1,520 and closed up Y200 at Y1,520. The company has had strong plant order receipts.

Shiroki, a car parts maker that is part of the Tokyu group, which has attracted takeover speculation since the death of Mr Noboru Goto, its leader, surged Y200 to an all-time high of Y1,240.

Individually, Ohbayashi, the general contractor, rose Y50 to Y1,900 during the day but closed unchanged at Y1,850. Leading brokerages had been trying to reawaken interest in general contractors. Ohbayashi was the most actively traded stock, with 43.6m shares.

Sumitomo Metal, which made strong gains on Wednesday on news of higher gold futures prices in New York, advanced Y12 to Y882 during the day but closed unchanged at Y870, reflecting the market's overall lack of sustained energy. It was second most actively traded at 22.9m shares.

Kawasaki Steel's performance was another example of investors' restlessness, firming Y20 during the day to Y1,030 but finishing down Y13 at Y997. It was third in volume terms with 21.8m shares.

Osaka fared better than Tokyo, with the OSE average finishing up a sturdy 283.47 at 32,737.87. Turnover, however, was pathetically low at 49.56m shares against 55.08m shares on Wednesday. Ohbayashi increased Y60 to Y1,860 while Nintendo, the video computer game maker, surged Y600 to Y12,400.

Roundup

INDIVIDUAL stocks propelled Australia higher in mixed Asia Pacific trade. Hong Kong and Taiwan were closed for holidays.

AUSTRALIA was boosted by a sharply higher News Corp, with the All Ordinaries index up 11.4 at 1,545.4 in volume of 207m shares worth A\$419m.

News Corp advanced A\$1.45, or 9.8 per cent, to A\$16.20. The company was buoyed by interest in media stocks, after Paramount's bid for Time Inc in the US, and by demand from American investors.

IEL surged 24 cents, or 12.8 per cent, to A\$2.11 on turnover of 16m shares, after Brierley Investments sold 15 per cent of its stake to Goodman Fielder Wattie, which has made a bid for IEL.

SINGAPORE declined again as institutional and individual investors remained nervous about the situation in China. Unit trust managers also continued to sell to cover losses on Hong Kong stocks.

The Straits Times industrial index fell 19.63 to 1,207.11 on turnover of 90m shares, up from Wednesday's 74m.

Blue chips, hotels, retail and property stocks all fell sharply. Shangri-la lost 60 cents to S\$7.90 and Ming Court eased 55 cents to S\$5.

SEOUL rebounded after recent losses, with the composite index rising 21.89 to 897.88 in a technical correction.

EUROPE

Roaring trade carries bourses to new highs

THE PACE in Europe was exciting, with many bourses hitting new peaks for the year, *writes Our Markets Staff.*

PARIS recovered from small early losses, in a session again invigorated by individual stocks in takeover situations.

The day overall was rather flat, said one analyst, as investors apparently sat back and digested global events, such as in China. Turnover was estimated at more than FFr2bn.

The feature again was Lafarge Coppée, the cement group, which surged a further FFr63, or about 4 per cent, to FFr1,655 after Wednesday's news that it was taking control of Cementia of Switzerland and, as a result, of Asland of Spain. The move was welcomed by analysts, who regarded it as strategically favourable and achieved at a reasonable cost.

BSN, the other main takeover story this week, edged FFr1 higher to FFr678 in heavy trading of 165,890 shares.

Générale des Eaux, which has a licence for the private cellular network in France, gained FFr70 to FFr1,982 as interest in cellular stocks spread from the US, where McCaw Cellular made a bid for a rival the previous day.

Lyonnaise des Eaux rose FFr4 to FFr1,727 after saying it had sold its 2.1 per cent stake in Club Med, which gained FFr5 to FFr677.

BHV, the retailer, picked up FFr17 to FFr625, with a block of about 5 per cent of its shares traded in the morning. There is speculation Sir Ron Brierley, the New Zealand businessman, or another entrepreneur is seeking stock.

The OMF 50 index added 1.04 to 504.00 and the CAC 40 index rose 5.57 to 1,760.73. The opening CAC General index was up 0.5 at 483.9.

ZURICH rose in healthy volumes, as confidence over steady interest rates encouraged buying. The Crédit Suisse index gained 6.4 to 586.3.

Cementia, the cement producer, fell sharply following the previous day's news that Lafarge Coppée had taken control. Cementia's bearers dropped SFr325, or 5.1 per cent, to SFr5,975 and its participation certificates lost SFr65, or 6.8 per cent, to SFr890.

One observer said there were three possible reasons for the fall: the removal of speculative money from the stock, the displeasure of some shareholders at the change of management, and fears that Asland, the Spanish group in which Cementia is the biggest shareholder and which had surged on takeover talk, could fall now the bid has been made.

Banks continued to show strength, with Union Bank bearers adding SFr45 to SFr3,300 and Swiss Bank Corp bearers rising SFr6 to SFr312.

FRANKFURT reached a post-crash high in active trading, with some late profit-taking. VW starred with a DM11.70 rise to DM415.50 after saying its Wolfsburg production plant would stay open during the normal August vacation because of strong demand. Nixdorf lost DM6.30 to DM313.70 on news it will omit a dividend in 1989.

MILAN had another buoyant day, rising to year highs for a second day. Fiat was strong, adding L160 to L9,770 after confirming its expectations of higher turnover this year.

MADRID returned to its highs for the year as banks continued to catch up and utilities and construction stocks found good support. The general index rose 2.20 to a new peak of 313.54 in turnover estimated at a healthy \$160m.

Asland, the cement company, surprised analysts by rising 21 percentage points to 1,936 per cent of par, as Wednesday's news that Lafarge Coppée had won a controlling stake had been expected to depress the stock.

One analyst suggested the rise was due to technical short-covering, but added that any subsequent downturn would probably be short-lived because of the buoyancy of the building industry in Spain.

AMSTERDAM reached a new high in fairly active turnover worth Fl 821m. The CBS tendency index gained 1.4 to 185.6, while the all-share index hit a record of 192.8, up 0.9, as sentiment was helped by the lower dollar and oil prices.

Philips, which has been a laggard, was one of the day's most actively traded, rising 60 cents to Fl 38.60. Steel stock Hoogovens rose Fl 1.60 to Fl 107.60 and machinery maker VMF Stork Fl 1.70 to Fl 37.80.

STOCKHOLM rose to an all-time high on moderate trading boosted by foreign interest in Ericsson. It gained SKr5 to SKr524, in spite of fears that the government ban on aid to China could hit the company, which is negotiating contracts for the supply of telephone systems there. The Affärsvärlden general index gained 8.7 to 1,186.0.

OSLO fell as the price for Norway's North Sea oil dropped following the Opec meeting in Vienna. The all-share index fell 8.62 to 476.76.

COPENHAGEN was boosted by high liquidity, shortage of scrip and a firm bond market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 8 1989						WEDNESDAY JUNE 7 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	132.16	+0.1	124.57	116.87	+0.5	4.95	132.09	123.79	116.27	157.12	128.28	144.27
Austria (19)	120.58	−0.2	118.65	123.88	+0.2	2.11	120.82	113.23	123.58	124.18	92.84	87.67
Belgium (63)	128.68	−0.5	121.29	131.70	+0.1	4.17	129.28	121.15	131.51	137.10	126.33	124.31
Canada (124)	141.80	+0.5	133.65	122.95	+0.5	3.32	141.10	132.23	122.30	141.80	124.67	124.52
Denmark (38)	181.81	+0.3	171.36	190.46	+1.1	1.77	181.23	169.85	188.32	181.81	165.35	131.83
Finland (26)	143.98	−0.8	135.70	133.28	−0.4	1.57	145.14	136.02	133.78	159.18	125.81	138.34
France (128)	119.82	−0.4	112.93	126.11	+0.3	3.01	120.26	112.70	125.68	122.79	112.57	99.61
West Germany (100)	85.76	−0.3	80.83	88.16	+0.5	2.31	86.05	80.64	87.75	90.40	79.58	78.71
Hong Kong (49)	92.09	+0.1	86.80	92.18	+0.0	5.86	91.99	86.21	92.18	140.33	86.41	106.20
Ireland (17)	136.77	−0.6	128.81	142.60	+0.0	2.95	137.57	128.92	142.53	151.36	125.00	136.97
Italy (97)	78.18	−1.2	73.69	84.20	−0.2	2.62	79.10	74.13	84.36	86.88	74.97	71.14
Japan (455)	176.14	+0.1	166.01	159.60	+0.7	0.50	176.03	164.97	158.51	200.11	175.13	174.76
Malaysia (36)	171.05	−1.8	161.22	177.83	−1.8	2.70	174.21	163.26	181.15	185.03	143.35	143.51
Mexico (13)	226.26	−1.6	213.26	612.27	−1.8	0.82	230.03	215.58	623.49	230.30	153.32	165.75
Netherland (42)	116.98	−0.4	110.26	118.93	+0.4	4.33	117.40	110.02	118.42	122.22	110.63	107.60
New Zealand (24)	64.55	+2.1	60.84	60.00	+2.4	6.19	63.22	59.25	58.57	78.02	63.22	82.11
Norway (26)	171.40	−2.0	161.55	166.75	−1.3	1.59	174.82	163.83	169.01	198.39	139.92	126.47
Singapore (26)	150.04	−1.9	141.41	134.62	−1.8	2.06	152.94	143.33	137.12	161.98	124.57	117.63
South Africa (60)	140.27	−0.7	132.21	127.76	−0.7	4.14	141.31	132.43	128.70	144.86	115.35	134.39
Spain (43)	145.72	−0.2	137.34	142.18	+0.8	3.55	146.05	136.87	141.02	156.17	143.14	163.27
Sweden (35)	159.01	−0.1	149.87	156.89	+0.5	2.19	159.13	149.13	156.06	162.00	138.45	124.20
Switzerland (57)	75.52	−0.4	71.18	80.18	+0.5	2.54	75.81	71.05	79.78	79.76	67.81	81.08
United Kingdom (314)	139.79	+0.5	131.76	131.76	+1.1	4.41	139.12	130.38	130.38	153.33	134.53	138.96
USA (557)	133.30	+0.0	125.64	133.30	+0.0	3.36	133.36	124.98	133.36	133.36	112.13	110.04
Europe (1005)	118.10	+0.0	109.43	115.11	+0.7	3.57	116.14	108.85	114.34	121.70	112.65	110.60
Nordic (125)	153.42	−0.2	144.60	148.58	+0.5	1.92	153.73	144.07	147.90	155.61	137.95	118.79
Pacific Basin (676)	171.31	+0.1	161.46	155.47	+0.7	0.73	171.22	160.46	154.44	194.72	170.25	170.85
Euro – Pacific (1681)	149.28	+0.0	140.70	139.32	+0.7	1.63	149.25	139.87	138.40	164.22	148.05	148.78
North America (681)	133.71	+0.0	126.03	132.66	+0.0	3.35	133.73	125.33	132.68	133.73	112.79	110.81
Europe Ex. UK (691)	101.17	−0.4	95.36	104.60	+0.4	2.92	101.61	95.23	104.41	105.29	96.30	92.99
Pacific Ex. Japan (221)	113.56	+0.0	107.04	104.07	+0.2	4.96	113.61	106.47	103.86	137.65	111.93	123.77
World Ex. US (1878)	148.98	+0.0	140.42	138.85	+0.8	1.71	148.93	139.57	137.96	162.77	147.69	145.89
World Ex. UK (2121)	142.66	+0.0	134.48	137.48	+0.4	2.05	142.72	133.75	137.00	146.04	138.06	131.38
World Ex. So. Af. (2375)	142.40	+0.0	134.22	137.00	+0.4	2.25	142.38	133.44	136.43	146.65	138.82	132.02
World Ex. Japan (1980)	128.48	+0.0	118.19	125.37	+0.2	3.49	126.50	118.55	125.09	126.50	114.51	111.54
The World Index (2435)	142.39	+0.0	134.20	136.94	+0.4	2.26	142.38	133.43	136.37	146.51	138.83	132.04

Hong Kong market closed June 8.